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ABSTRACT

Noting the failure of large, centralized production systems in developing countries, this journal issue describes the functions, types, and strategies of micro-enterprises in the modernization process of developing countries, especially in Africa. The journal analyzes the characteristics and failures of micro-enterprises and informal industries, and suggests innovative methods for support of the informal sector by micro-enterprises. It describes specifically a variety of women-run food-related micro-enterprises, their functioning and adjustment to the local food-related industries context and to the crisis of current trends in Africa's economy. Next, the journal examines the instability and structural consolidation of this informal sector of the African economy, noting features in common with micro-enterprises in other regions of the world. Finally, the journal discusses recommendations for support of innovation in micro-enterprises, noting that in a supportive perspective, micro-enterprises need to set objectives and rationale, and provide great adaptability to new demands and inflation, spontaneous innovation in internal organization, and supportive programs and evaluation. Contains suggestions for further reading and six references. (AP)

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# CHILDREN
# IN THE TROPICS

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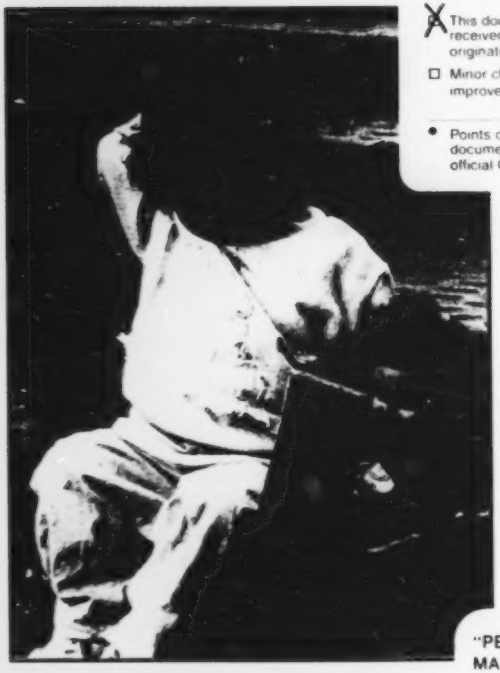

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## MICRO-ENTERPRISES WHAT THEY ARE AND WHAT THEY CAN BE

1994 - N° 211

INTERNATIONAL CHILDREN'S CENTRE - PARIS

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The International Children's Centre was created by the French government in 1949, on the initiative of Professor Robert Debré in particular, following negociations between France and the United Nations. Its purpose was to furnish those international and national agencies dealing specifically with child care with training facilities and educational and informational tools in the field of child health and development, viewing children within their family and surroundings.

ICC soon turned essentially toward Third World children and devoted its activities to the training and education of personnel with social, educational and administrative responsibilities as well as medical and paramedical workers.The desire for greater efficiency has led it to work increasingly with trainers and to concentrate its efforts on the methodological and educational aspects of mother and child care programmes.

ICC is also engaged in an attempt to further study - and - action on some aspects of the life and health of children and their family, so as to contribute to practical improvement, particularly in the fields of growth, nutrition, planned parenthood, the control of transmissible and nutritional diseases, preschool and school education, the needs of disabled and underprivileged children, etc.

The documentation centre of the ICC has been collecting, processing and circulating invaluable information on children and their environment for the past forty years. In the last decade the centre has also developed the Robert Debré Database (BIRD) ; with its current 110,000 references, it can meet your bibliographic research needs either by correspondence or by visiting the centre's library. Furthermore the ICC also produces the BIRD CD-ROM, updated yearly with the latest database references; it is a user-friendly compact disc operated on any IBM compatible PC equiped with a standard CD-ROM drive. ICC also publishes books, proceedings of symposia and educational documents, as well as comprehensive analyses and bibliographic bulletins.

As for its legal status, the International Children's Centre is a foundation under french law of recognized public utility, administered by an executive board with broad international membership.

# CHILDREN
## IN THE TROPICS

REVIEW OF THE INTERNATIONAL CHILDREN'S CENTRE

# MICRO-ENTERPRISES
# WHAT THEY ARE
# AND WHAT THEY CAN BE

ISSUE COORDINATED BY
M. KADDAR
P. GERBOUIN-REROLLE

1994 - N° 211

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# INTRODUCTION*

No-one any longer dares to claim that the problem of growth in developing countries is reducible to the simple promotion of centralized production systems, large firms and exclusive State intervention. Models based on these principles have foundered everywhere, at least in Africa.

It is true that for decades, thinking on development focussed on the choice of investments and strategies for accumulation. To develop was synonymous, then, with the transposition of the western-type model, and the replacement of so-called "traditional" activities by so-called "modern" ones.

It was this view of the situation in the developing countries that made people reticent toward anything that deviated from that pattern. The proliferation of odd jobs and small businesses was therefore viewed as a sign of the inability of developing countries to modernize.

Today, it is almost the reverse that is true. Micro-enterprises are touted everywhere. They are the new miracle solution, after poles of development, basic industry and "the lofty heights of economics". Governments are all busy draughting aid programmes for small and medium-sized enterprises (SME). Every bonus is expected of informal activities... provided they are modern. The World Bank too, is engaged in this process, which it views as an added factor in returning local economies to private industry, and a justification of its own politics. The International Labour Office (ILO) is taking interest in it, and conducting high-quality investigations on the non-structured, or informal sector.

This new fashion may well raise high hopes, only to dash them later. It is now clear that micro-enterprises are essential for development, but again, it is important to make the right analysis of the dynamics of the phenomenon, and of its status. The series of texts presented here offer a description of some of its aspects, along with a well-argumented analysis.

We will confine ourselves to a single manifestation of the informal sector : micro-enterprises.

The usual analysis of the informal sector generally describes it as a homogeneous, relatively coherent scene. It is systematically depicted as contrasting with the modern sector. Developing societies are described as a juxtaposition of the two sectors (modern and informal) or as composed of three sectors (modern, traditional and informal). The informal sector is alternately viewed as an "advanced" segment of the traditional sector or as located half-way between the traditional and the modern sectors.

*** by Miloud KADDAR**

In this type of analysis, the following features are usually selected as defining the informal sector :

- low in assets : plant and machinery are reduced to a strict minimum, stocks are low, there are almost no fixed assets ;
- low technological level : tools are predominant, there is very little permanent use of machines. The level of productivity is low, although the economic agents involved are often highly innovative ;
- low human investment : the cost of training manpower is low. Training is secured on the job, through apprenticeship, and the official school system does not play much of a role ;
- no barrier to entrance : micro-enterprises are easy to set up, and also to drop if they are not profitable. The rate of creation is high, as is the bankruptcy rate ;
- small-sized enterprises : units produce on a small scale, employ mostly apprentices and in some cases salaried employees usually paid on a piecework basis;
- non-recourse to the formal categories of modern economies, with salaries, rent, fixed prices, taxes, retirement and health care plans, etc.

Along with these structural characteristics, all of which are not consistently present, of course, the informal sector is acknowledged to have a regulatory function, especially for urban employment. In crises, the informal sector is always active, and works as an absorbent, especially for migrants, women, youth and workers who have been downgraded or dismissed.

It does this in a number of ways : through informal subsistence work (odd jobs done from time to time), crafts work (activities with marginally capitalistic technology, organized on a cooperative basis) and informal competitive work (offering goods and services similar to those found in the modern sector, but at a lower price, and often lower in quality). These informal activities all comply with specific rules, and are directed at different, segmented clienteles and markets. This type of analysis yields a description of the informal sector, but is unable to seize its dynamics, since it overlooks the intersectorial links and the interconnections between the productive and the household spheres.

Its use of the term "sector" leads this analysis to underestimate the ways in which modern and informal aspects interpenetrate each other. There is no clearcut frontier between these different forms of productive organization, just as some of the features described as characteristic of one sector may be found in the other. There are actually an infinite number of combinations of the different elements of a country's economy. Transformation does not occur through changeover from the traditional or informal sector to the modern one, but rather, by gradual modification of the characteristics of the informal units. Through their functioning, the micro-enterprises that make up the informal sector flow into the rest of the economy in a number of ways : through their inputs, delivery of products, regulation of supply and of prices, use of human resources, etc.

Some wage-earners in the modern sector depend on the informal sector to maintain their standard of living, just as the informal sector is linked to the modern sector by the earnings and the inputs it receives. The economy is structured as a continuum, of which the informal aspect is an integral part.

At the same time, the extraordinary resiliency of the micro-enterprises in the informal sector is attributable to the fact that the productive sphere is inextricably embedded in the domestic sphere. In the urban economic structures of developing countries, there is often complete continuity between the places where commodities and services intended for sale are produced and those which are constitutive of family life. The mercantilization of household work is one of the first forms of creation of micro-enterprises in the informal sector. Women occupy a primordial place here, motivated by the search for extra income and by the existence of demands that are not satisfied by the official markets.

In any case, micro-enterprises derive their energy from the reserve of human energy, the reservoir of available manpower, in women in particular, on which they draw. The survival and success of micro-enterprises, in periods of crisis, depend to a large extent on their ability to demand that the immediate family, as well as kith and kin at large, bear the brunt of the risks and cost of the transactions made. Conversely, they are constantly prepared to give out money to satisfy the basic needs of family members or other intimates. This interlocking relationship between the family and the micro-enterprise is a great strength in the face of the hazards and fluctuations of the marketplace, but it is also an obstacle to moving toward the status of a full-fledged business.

Viewed in this two-sided context (links between sectors and between spheres), the actual nature and functioning of informal activities can be more clearly understood. It is easier, then, to understand the limits and potential of informal activities, and especially of the micro-enterprises this sector has spawned.

The question of how these micro-enterprises should be positioned within the economy of developing countries is an unavoidable one. Observation and analysis show that they already occupy a central position in the strategies developed by people in response to the crisis.

The same is in fact true in many developed countries. The informal sector is present there, and sometimes represents up to 30 % of economic exchanges. There is a mixture of trafficking and corruption, and of activities which enable the survival of certain micro-enterprises, and of groups that have been made vulnerable by unemployment and the crisis. Fine comparative analyses point to conclusions that are of value to both Northern and Southern countries.

When and how is support for micro-enterprises useful, and conducive to significant change ? There are no simple answers to these questions, as shown by the articles published in the present issue.

It is tempting to make micro-enterprises the focal point of developmental policies. The - at least partial - failure of large industrial complexes in some countries lends credibility to this policy, at first glance. There are many potential advantages : low capital investment, use of abundant local resources, management within the country's capacities, diversity of types of commodities and of locations, increased employment, reduced imports, etc.

However, it should be realized that the transformation of such informal units into small businesses of the SME type is generally unfeasible barring the existence of a dynamic overall economy, and without sectors that are strong and capable of considerable accumulation of capital. In the best of cases, in a context of crisis and overall economic decline, informal activities can scarcely do more than contain social breakdown and enable the survival of the poor.

A supportive policy which confines itself to providing capital and complementary training in technology and management is necessarily inadequate, and unable to lastingly valorize the potentials of informal activities and of the micro-enterprises they spawn. An environment amenable to their development must be created. Between passive observation and devastating and unquestionably ineffective interventionism, there is definitely room for a policy promoting micro-enterprises coming out of the informal sector. Such a policy must necessarily be a long-term one, since development is a slow process through which people are mobilized and productive and social structures are gradually, continuously transformed.

# FOOD-RELATED MICRO-ENTERPRISES AND THE CURRENT CRISIS*

## WOMEN AND FOOD-RELATED COTTAGE INDUSTRIES

Maroua, an ancient city founded long before the Europeans arrived, is located in the Sahel, and is the provincial capital of the extreme north of Cameroon. With its population of approximately 120,000 inhabitants, it is now viewed as a key crossroads for trade.

Since the mid-80s, the country as a whole has experienced a major crisis, perhaps amplified in this area by the very nature of the Sahel. The government has chosen a free-market policy to cope with the economic difficulties. The many budget cuts and the overall disinvolvement of the government have obliged people to rely primarily on their own strength.

This paper attempts to point to the extent and dynamics of this mobilization of local potential. First, we will describe the variety of food-related cottage industries in Maroua, after which we will analyse the conditions presiding over the creation of these micro-enterprises and last, their functioning and especially the way in which they adjust to the local context.

As the crisis unfurled, a large food-related cottage industry sector developed throughout the city of Maroua. The following is an attempt to evaluate it.

*Localized activities*

Between May and July 1992, a number of activities were inventoried. These may be described as "localized" inasmuch as they always take place on the same location : 1,063 such units were counted.

Table 1
Inventory of localized activities

| Type of activity | Number of units counted |
|---|---|
| Mills | 136 |
| Hullers | 9 |
| Units producing and selling sorghum beer | 706 |
| Roasted meat sellers | 138 |
| Eating places serving meat dishes | 73 |

*Source : surveys by the authors, Maroua, 1992.*

*** by Elisabeth LOPEZ, José MUCHNIK**

*Non-localized activities*

Those activities whose location was more diversified were also inventoried. This means that several types of commercialization may coexist, including sale at a marketplace or at the producer's home, and door-to-door vending in neighbourhoods.

Table 2
Inventory of activities with varied localizations

| Type of activity | Estimated number of units |
|---|---|
| Women vendors of fermented milk at marketplaces | 100 |
| Women producers of peanut-based foods : roasted peanuts, peanut butter, abakuru (fried cakes), tunkusa (oil-cakes), oil, "caramel" (candied peanuts), cooked peanuts (boiled), jannaani (caramel-coated peanut butter) | 200-250 |
| Fritter-makers (women) : using wheat, bean, rice or millet flour | 250-300 |
| Women producers of non-alcoholic beverages : anti-crisis lemon (diluted, sweetened lemon juice), alaska (iced drink made of water and/or milk, food colouring or syrup), almé (diluted caramelized sugar with added pimento, tamarind, cloves, etc.), gaari, nbusiri, nboordam (pap made of rice, sorghum or millet flour, milk and peanuts), kundurku (drink made of slightly fermented sorghum flour), anti-crisis follere (follere petals seeped in water) | 250-300 |
| Processors and vendors of leafy and dried vegetables. The main leafy vegetables are selekya, bokko, laalo, tasba and gubudo ; the main vegetables are okra, cowpeas, pimentos and tomatoes | 400-450 |

*Source : survey by the authors, Maroua, 1993.*

There is a great variety of types of products, and the role played by women in this cottage industry-type food-making is worth noting. Traditionally, they are the only people to make some products such as sorghum beer, fermented milk, fritters and processed peanuts. Other activities such as running eating places and drying leafy vegetables and vegetables are shared with men. Furthermore, the mills are mostly run for them. Men are mostly in charge of all processing operations where meat is involved, and take charge of anything mechanical (setting up mills and hulling machines, for instance).

## WOMEN PRODUCERS OF FERMENTED MILK AND SORGHUM BEER IN MAROUA

We were interested in determining what leads women to set up a micro-enterprise, what assets they have to start with, then how the enterprise functions and undergoes change. For this purpose, two structurally contrasting activities were compared :

- on the one hand, women making fermented milk : this is a non-localized activity, of which Peul women have the monopoly (they number about one hundred) ;

- on the other hand, women making sorghum beer : this is a localized activity done by christianized or animist indigenous women ; there are approximately 700 such micro-enterprises.

This information was collected from women producers during surveys conducted in 1992 and 1993.

Fermented milk is exclusively produced by women. It is sold either at home, on the city's markets or by travelling the city streets, the latter two solutions being the most popular. The fermented milk purchased in town is produced by Foulbé women (a Peul group in northern Cameroon) living in outlying villages near Maroua or in the very peripheral neighbourhoods. As a rule, the producer is also the vendor. In some cases, however, selling is done by someone else : a woman friend who takes it to the marketplace if the producer is obliged to look after her children or develop some other important sphere of activity, or else the husband if he forbids his wife from going to the marketplace.

The production and sale of sorghum beer are also exclusively feminine activities. In town, selling is done in the courtyard outside the producer's home (or saré). Often, several women living on a same courtyard take turns making the beer. Each woman is an independent producer, however. In Maroua, there is not a single instance of a group of women mounting a sorghum beer-producing unit. Sometimes co-wives with a same husband purchase the necessary equipment collectively, but they exploit it separately thereafter : each woman produces and sells beer in turn, and for her own benefit. Last, there are a few cases of women producers who rent out their equipment to several other women. Here too, each woman works independently. This individualistic organization does not exclude a degree of mutual aid, of course, or exchanges of information among producers.

A beer-maker may nonetheless receive help from her daughter or daughter-in-law, but the equipment remains her exclusive property, and the profits are all hers. At the same time, the helper may be a producer in her own right. We discovered that certain ethnic groups are particularly well represented among the sorghum beer-makers. These women mostly originate from the plains (Guiziga, Toupouri and Moundang) and to a lesser extent, from the mountains (Mafa and Mofou) (1). Women from Chad are also great beer producers.

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*(1) These are christianized or animist ethnic groups said to be indigenous since they were already settled in the region when the Peuls arrived.*

## THE CREATION OF MICRO-ENTERPRISES

Micro-enterprises are founded when some triggering factor occurs. Access to some resources is required : skills, capital, raw material, information about markets. It is justifiable in the eyes of the founders.

### The triggering factor

The women producers of fermented milk whom we met had generally begun their activity at a very early age, mostly between ages 12 and 15. Sometimes this was simply the continuation of the work they did to help their mother.

They are independent workers, and the money they earn makes them less of a financial burden for their parents. However, as a rule an independent unit is established when the woman marries. This activity enables her to contribute to the family income or to satisfy her own needs when her husband is unable to do so.

In certain cases, this business is set up in response to an urgent need for money following a change in the woman's personal situation such as a divorce, death of her husband, ageing parents, etc.

Women's need for extra earnings or for a totally independent income is also behind the creation of sorghum beer (bil-bil)-producing micro-enterprises. This may have occurred when they married, or following the death of their husband or of a parent, their divorce, their husband's retirement or dismissal, or their migration, usually from Chad. There are also some adolescent girls whose parents demand that they be partially independent, financially.

Most beer producers began this work between the ages of 20 and 30.

For both types of activity, the triggering factor in the foundation of a micro-enterprise was the fact that these production units might yield more or less substantial earnings, required by a change in the woman's personal and/or social situation.

Analysis should include the assets on which micro-enterprises can count when they are created, since women need access to certain resources to set up their unit.

### Skills

The creation of a food-processing micro-enterprise requires the prior possession or acquisition of know-how, or skills.

In the case of fermented milk production units, most of the women learned with their mother, as children. Sometimes a husband teaches his young wife, when he himself has learned from his mother. The technique is rather simple, and requires unsophisticated equipment, which may be home crafted : a gourd calabash, a stick and another calabash for transporting the finished product (cf. figure 1).

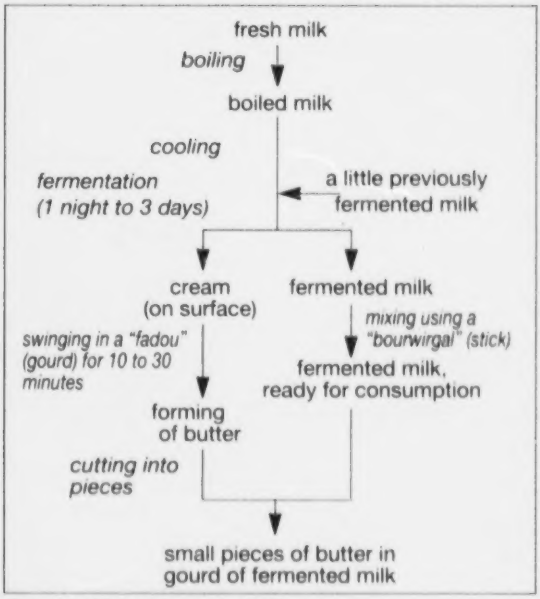


*Figure 1 : Making fermented milk.*

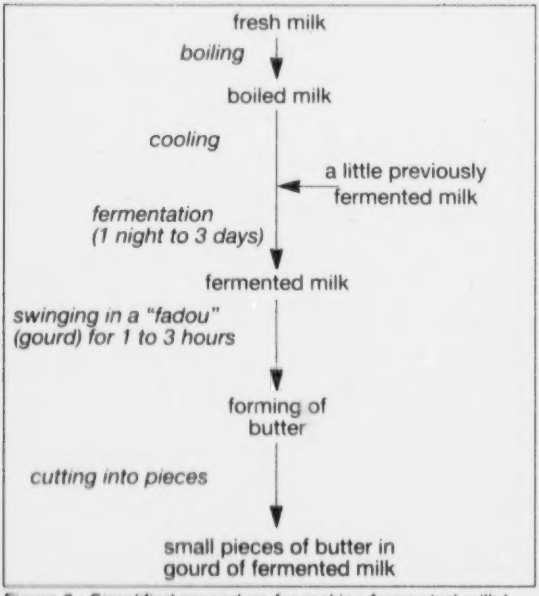


*Figure 2 : Simplified procedure for making fermented milk.**

** At the time, 100 CFA francs (F CFA) were worth 2 French francs or about 0.30 US$.*

The procedure is simplified if the amount of milk to be processed is small (cf. figure 2).

The product does not keep well, no more than two to three days according to the most optimistic women.

Most producers of sorghum beer also acquired skills, relatively complex in this case, from their mother or some other woman relative. Some, however, learned the technique later, after their marriage, from women friends or neighbours, usually belonging to the same ethnic group.

The equipment required is quite rudimentary, mostly involving calabashes and earthenware containers. The technique takes a relatively long time, however (about seven days) and is quite demanding (cf. figure 3).

The product cannot be kept more than twenty-four hours.

Sorghum beer is sold in small calabashes, except by Toupouri women, who use small-sized jugs.

For both of these activities, then, the know-how required for the creation of the micro-enterprise was learned through the family or the woman's ethnic group.

When setting up their activity, women need a small amount of equipment, which, however unsophisticated, is not negligible in itself.

For fermented milk production units, half of the women surveyed had spent between 1,000 and 1,600 CFA francs*, the maximum being 4,000 F CFA. Some women had no expenses at all, on the other hand, since they had made all of their equipment themselves, using calabashes. The capital invested usually came from personal savings, but occasionally was borrowed from the husband, a relative or friends.

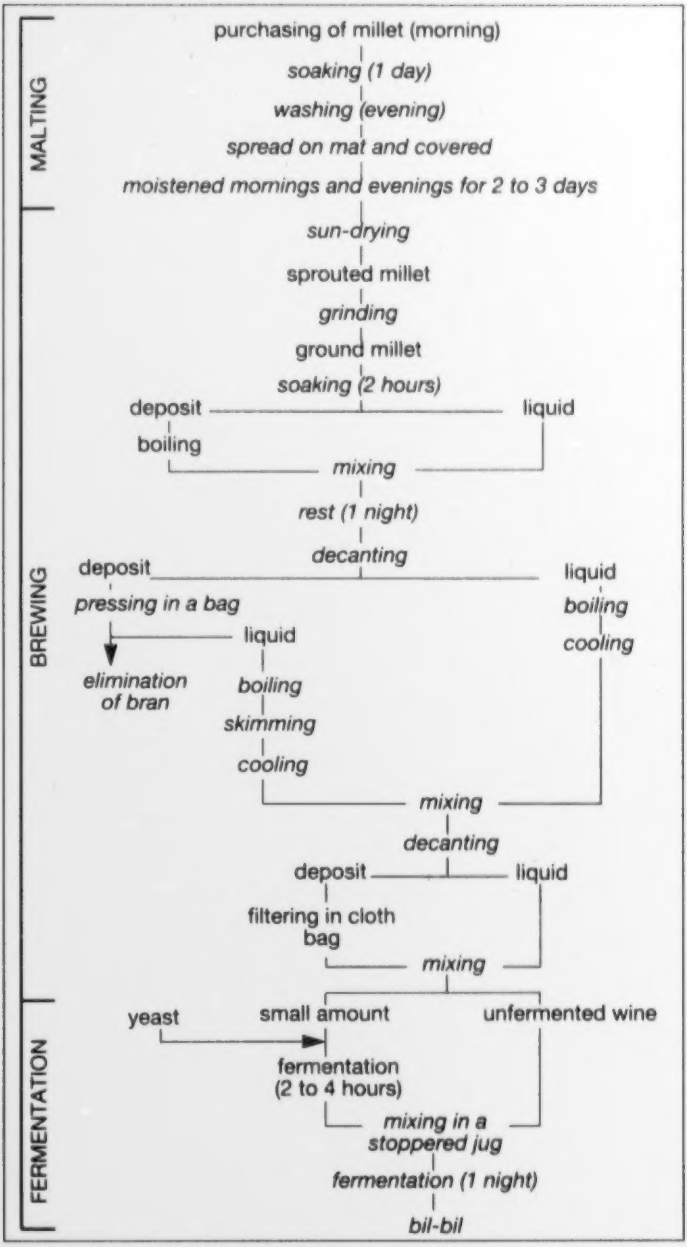


*Figure 3 : Procedure for making sorghum beer.*

Sorghum beer production, on the other hand, requires more equipment, including jugs, jars and calabashes, as well as buckets, pans and strainers. There may be additional expenses connected with the arrangement of a place for consumption : arranging a sheltered space, purchasing of benches, etc. Women therefore spend an average of 10,650 F CFA to set up their unit, with a minimum of 2,000 F CFA. The largest investment recorded was 56,000 F CFA. Most of the women interviewed had spent under 13,000 F CFA.

This capital was secured either from personal savings or from loans, or a combination of the two.

To create a micro-enterprise, one must also have access to the raw material. In the case of fermented milk production, women all used milk from their husband's cows, or those of a near relative (father or brothers). The milk was obtained free of charge.

Sorghum beer producers are in an utterly different situation. As a rule, they pur-

chase the sorghum which they process, since hardly any grow it. However, even those who grow sorghum, a traditional crop in this region, do not use their own produce, which goes to feed the family. Some women explain that since sorghum-growing is a family activity, they could not siphon off a large amount for their personal activities, since this would be viewed as theft. Furthermore, it is the husband who is in charge of the sorghum reserves, especially among the Guiziga, Toupouri and Guidar peoples, and he does not allow it to be used for the production of beer. Most producers agree that "if the wine turns, all is lost", which is to say that for security reasons, it is preferable to purchase sorghum, whenever possible, and to keep reserves for family consumption.

There is one major difference between these two types of activity. Fermented milk production units are a means of adding value to a highly perishable home-produced commodity : milk. Only women with free access to this raw material produce fermented milk. Barring an accident, access to this raw material cannot be denied.

Conversely, sorghum beer-producing units must purchase their raw material. This extra expense must be taken into consideration when starting up the business, in addition to the purchasing of equipment. It may also force the woman to put a stop to her activity at any time, until she has sufficient liquid assets for purchasing sorghum and resuming production.

**Existence of and information about a market**

The creation of a micro-enterprise requires that the woman find customers : for this reason, they sell a product that is popular within their ethnic group. Peul women, for instance, are intrinsically a part of a pastoral, milk-producing people. Although they claim not to know most of their clients personally, except when they sell out of their home, they all say that most are Foulbé.

Women of so-called indigenous origin make sorghum beer, a traditional drink which was formerly reserved for festive occasions, such as collective work projects, etc. At present, a walk through any non-Muslim part of Maroua makes it clear that this activity, now a lucrative one, is extremely widespread. Every woman knows someone (a family member, someone from her village or ethnic group) who makes bil-bil and tells her about customers. Although some producers complain that the number of their customers has dropped, they generally do not impute this to an increase in competition, but to a decline in overall purchasing power.

Thanks to the extensive network formed by her ethnic group, a woman can easily be informed of the state of the market in which she is interested.

**Choice of the activity**

The investigators were interested in finding out why women had chosen their present activity, and what brought them to create their business.

Fermented milk-makers advanced arguments of four types. First, there are reasons connected with the family and its tradition : "the

money stays in the family", "our family has always made fermented milk, it is a specialty". Next, women mention reasons linked with their mastery of the skill : "I am good at making it", "it is the only thing I know how to do". Then, there are reasons pertaining to the financial advantages to be derived from it : "this way I do not have to spend any money", "it is more profitable than other activities". Last, some reasons are contingent on religious values : "God gave me cows, and I take advantage of that gift".

When sorghum beer-makers are questioned on the reasons behind the sale of bil-bil, they state that it is a profitable activity : "with bil-bil, I have weekly earnings", "that is what sells best". They mention a lack of the financial resources necessary for undertaking some other activity : "I do not have enough money to do anything else, the sorghum costs 1,000 F and the jugs are only bought once". Some women view bil-bil-making as a heritage, and feel obliged to continue making it (when they want an income of their own, in any case) : "it is what I learned to do when I was young, so I cannot stop", "I inherited it from my mother, I cannot do any other work". They also speak of their skills : "I find it easy to do, because I know all about it, whereas the other activities are difficult". Some women chose to make bil-bil because "it is something that all non-Muslim women do, so it is easy to learn", but there is also the motivation of selling bil-bil to make friends : "with bil-bil you have many friends and a little money".

In the last analysis, women producers of each type mention similar arguments in favour of their choice. Some are of a social nature (family, tradition, friendship, etc.), others economic (earnings...) or technical (easy to learn, skill) and last, some are connected with religion.

It is clear that women create a micro-enterprise when they feel the need to have earnings of their own. They do not really choose their activity from the entire range of work present in the area, but in close connection with the family and ethnic tradition. Women's skills are learned within their group, and they do not know how to do anything else, but they are good at those techniques they have learned. This network also conditions the information to which they have access, especially with respect to the availability of raw materials and changes on the market. They continue to use traditional equipment, and their sources of financing do not extend beyond the family circle or their intimates.

## FUNCTIONING AND DYNAMICS OF MICRO-ENTERPRISES

In the two types of micro-enterprises studied, functioning and change are based on adjustment to the general surrounding context. This context is one of crisis, a major feature of which is a great drop in purchasing power in general, for both consumers and producers, and large-scale lay-offs in the modern industrial sector. Both of these features have caused a considerable rise in the number of individuals looking for income-generating activities, and therefore susceptible of creating a micro-enterprise. This includes wives of civil servants who have experienced salary cut-

backs during the year, and who are paid with great delays, along with workers in the modern sector who, once laid off, wish to reinvest their unemployment compensation in some productive activity, etc.

To adjust to this context, women producers modulate the rhythm of their activity, their techniques, supplies of raw material, sales strategies, payment of taxes, etc. They do so mostly in accordance with their own goals and the way they visualize the future of their micro-enterprise.

**Rhythms of activity**

The rhythm of the activity is revealing of the features of the product and of how the unit functions.

Women who make fermented milk produce it throughout the year, but some only sell it outside their home during the rainy season, when the amounts produced are sufficiently large. Frequency of production depends on the number of cows and on the season, the idea being, in most cases, to wait until enough milk is available before processing it. Some women maintain the same frequency, but introduce seasonal variations in the volume produced. Some women make their product daily, others every 2, 3 or 4 days.

Sorghum beer-making requires a different rhythm. While most women make it all year round, some completely cease beer-production during the rainy season, since farm work has priority then. Furthermore, when the occasional heavy rainfall makes access to their saré difficult many customers are discouraged. During the production period, most women make beer once a week, often on a set day, which is helpful in securing steady customers. Some succeed in making it twice a week, despite the fact that the work is hard. Seasonal variations in the frequency of production are sometimes introduced, with a weekly or twice-weekly rate slowing down to a twice-monthly or weekly production during the rainy season. Last, financial problems may prevent regular production, since money for purchasing sorghum is sometimes lacking.

The rhythm depends on the type of production, then, and undergoes seasonal modifications since access to raw materials varies, as do customer readiness and time available for production. Last, it depends on the woman's overall economic situation as well.

**Adaptation of techniques**

Women have not tended to transform the skills handed down to them. However, those who make fermented milk now all boil the fresh milk, although their mothers rarely did so. As for sorghum beer-producers, they now usually use a strainer, thanks to which their beer contains much fewer foreign bodies and has a higher alcohol content.

In fact, the techniques they have learned seem to be perfectly adapted to their financial capacities and to the tastes of their customers. They have simply moved toward greater cleanliness, an improvement that is in step with new popular demand, which also calls for stronger beer, for instance.

The evolution of purchasing power in general has not been conducive to the use of more sophisticated and therefore more costly techniques, which would have led to the marketing of products with a higher cost price, and therefore a higher sales price.

**Supply of raw materials**

As seen above, micro-enterprises producing fermented milk obtain their raw material free of charge, whereas the starter is taken from a previous batch : there is no expenditure involved.

Conversely, sorghum beer producers purchase the sorghum and use a mixture of different varieties. Djigari (2) lends a highly appreciated colour to the beer, Tchergue (3) and/or Mouskwari (4) are extremely productive, ferment rapidly and yield a high degree of alcohol, according to the women.

The women adjust to the taste of their customers, then, by playing on colour or alcohol content, through varieties of sorghum that affect these criteria. One ethnic group, the Mafa, apparently are indifferent to colour but like strong beer ; Mafa women therefore rarely use Djigari, and generally confine themselves to a mixture of Tchergue and Mouskwari.

The amount of sorghum incorporated in each batch varies from one unit to another, with an average of 41 kg during the dry season, and 38 kg during the rainy season. The largest amount recorded among the women interviewed was 72 kg. Most processed from 30 to 50 kg per batch during the dry season and from 30 to 40 kg during the rainy season. These seasonal variations coincide with a rise in the price of sorghum during the rainy season, along with a shortage of money in the micro-enterprises (this is the pre-harvest period).

On the average, one kilo of sorghum yields 2.8 litres of beer, so that each batch represents between 90 and 125 litres of beer. Beer-making also requires the incorporation of yeast, which the women refuse to purchase. They prefer to resort to natural yeast obtained by drying of the beer dregs, viewed as healthier than store-bought yeast, and at the same time a definite savings.

**Commercialization**

Fermented milk is always offered for sale in a calabash, with pieces of butter floating on the surface. The calabash is simply covered with a basket-woven lid. Customers often bring their own container - anything from a glazed bowl to a plastic bottle - but the vendors also have plastic bags into which they pour the fluid. Irrespective of the container, the milk is always sold by the ladleful and pieces of butter at unit price.

*Selling*

There are three ways of selling fermented milk : these are not mutually exclusive, but rather, complementary, since a same woman may resort to one or the other at different times of day or different periods. There are milk vendors on all of Maroua's mar-

*(2) Djigari : a variety of rainy season red sorghum, or Sorghum vulgare brot.*
*(3) Tchergue : a variety of rainy season sorghum, Sorghum caudatum.*
*(4) Mouskwari : a generic term for transplanted sorghum, Sorghum vulgare.*

ketplaces : their number depends on the size of the market. Choice of a marketplace depends on its distance from the woman's home, since she always travels on foot. This type of sale is worthwhile because it is not very tiring, and the milk is sold rapidly, since markets draw many people. Sale on the streets of a neighbourhood is another way of selling goods very rapidly, but it is much more tiring. It is also a complement to the former, since the woman often begins by selling her milk at the market in the early morning, then continues by going around neighbourhoods. Some women remain at home, and the customers go there. One advantage of this is that the woman can continue her other household occupations at the same time. In this type of sale, she knows her customers well (they are usually friends and neighbours). But if there are many producers in a same area, the prices tend to be lower than with other types of sale.

*Prices*

The proclaimed prices are 25 F CFA a ladleful and 50 F CFA for a piece of butter, but in fact they vary. For instance, when a vendor from the Koutbao marketplace sells at home, the price is 100 F CFA for 5 ladlefuls, or 20 F CFA the ladle ; conversely, during the dry season when she sells on the marketplace, the price is 100 F CFA the 3 ladlefuls (or 33 F the ladle).

The price also varies with the number of customers in the course of the day : when buyers are rare, the price may go down to 20 F CFA. Similarly, at the end of the day, the price per ladle is lower. In both cases, the vendor is attempting to limit her losses.

The price also depends on the marketplace : the larger it is, the lower the price, since there is much competition. There are also seasonal differences : prices are higher during the dry season, since milk is in short supply. During Ramadan, fermented milk is very popular, and may be sold at a better price.

When justifying their prices, women claim to consider the competition, and also their customers : goods must be reasonably priced.

Sale of sorghum beer is quite different, since it takes place at a set spot, usually the producer's courtyard. The place is specially arranged, with a few benches in a sheltered spot reserved for drinkers. Potential customers are informed that sales are on that day by some special sign (such as a piece of cardboard) placed on a stick in front of the house.

A gourdful of bil-bil is worth 25 to 50 F CFA. Toupouri women sell it in small jugs costing upwards of 100 F CFA. These prices vary, however, and are usually lower during the dry season : a large 50 F CFA gourd may drop to 25 F CFA or even less if customers are rare. Some vendors claim to adjust prices to the customer's finances, but generally will not descend below 15 or 20 F CFA.

The women advance a number of arguments to justify their prices : "everyone must be able to buy it, even the poorest people ; we can't do otherwise than to sell at the same price as the other women ; we have to make some profit, after the sorghum is paid for, in particular".

Although industrial brewing is one of the country's activities that has best survived the crisis, home-made beer is still in great demand, probably essentially because it is low-priced : the cheapest bil-bil costs 25 to 50 F CFA, whereas the price of factory-made beer is somewhere around 250 F CFA.

Producers may vary two factors :

- place of commercialization, the choice of which is essential for fermented milk-producers, while certain sorghum beer-makers choose to set up shop in a neighbourhood because it is reputed for its bil-bil ;

- price, which is kept low so that even poor people can purchase it : in addition, it may vary with the clientele and/or competition.

**Avoiding taxes**

Even micro-enterprises of this type are subject to a number of government taxes, but producers often attempt to avoid paying them, especially when they are levied infrequently, but are heavy.

Fermented milk vendors must pay a relatively large sum for their marketplace location. This varies with the size of the calabash (25 F CFA a day for a small calabash, and 50 F CFA for a large one), the day of the week (the fee for the central marketplace is higher on Monday, Maroua's largest market day), and the marketplace (some smaller markets charge 20 F CFA, whereas there may not be any charge in others). This may be a factor in choosing a market location.

Sorghum beer-makers are taxed differently, since their work is done at home. In fact, what is involved is not really a tax but a medical certificate which they must be able to show to the sanitation department, and for which there is a half-yearly charge of 900 F. Few women (less than one fourth) actually pay it.

**Goals**

Fermented milk producers apparently do not aspire to own a large production unit. In fact, they rarely mention any project for their business. Any money earned by their micro-enterprise simply completes their budget, making them a bit more independent of their husband. All of these women claimed to be happy with their business, which is very clearly situated within a family-centred logic : the animals belong to the husband, who allows his wife to use them, to take one example. The introduction of a new source of income for the family is decided jointly.

Women who make and sell sorghum beer decide to do so on their own, and their husband does not help them at all. They need to earn some money, and find this the easiest thing to do (because of a family tradition or because it is easy to learn). The extra income, often essential for survival, makes them more independent. These producers often have high expectations for their business, which generally yields the only cash income to which they have access. Some hope to have a large business, and there are several instances of rather large sorghum-processing operations, but many have no plans, and leave the future in the hands of God.

## FINANCIAL RESULTS

The question of the results of micro-enterprises, above all in terms of earnings, is often raised.

In the case of fermented milk-producing units, all income is profit, since the producers have no expenses once they are equipped. The profits accrued from sales are quite variable, and are seasonal in particular. Most producers interviewed earn between 5,000 and 20,000 F CFA a month (an unskilled labourer at the Institute for Research in Agronomy earns about 45,000 F CFA a month). This may seem relatively little, but it represents a steady income, with a small sum available every two or three days (500 to 700 F a day, as a rule), and is the only money earned by these women.

These earnings go toward the purchase of foodstuffs such as the staple cereal (sorghum or rice) and the ingredients that go into the sauce (fish, meat, vegetables and relishes), but also of more personal items such as loincloths and perfume, and marriage gifts, which are extremely important to Muslim women.

The role played by this money varies : it may be indispensable to the overall family income, or simply be a complement, supplying the woman with regular amounts of money for some small day-to-day purchases.

The profits derived from sorghum beer-making are also extremely variable. During the dry season, nearly 90 % of the women seen earned between 2,000 and 12,000 F CFA a month, whereas during the rainy season their monthly earnings usually dropped to less than 8,500 F CFA. These variations are mostly caused by the higher price of sorghum during the rainy season, which leads women to reduce their production.

The income derived from sales is put to a number of uses, including food, housekeeping, the production of bil-bil, the woman's own expenses, and some others, which are not on a day-to-day basis : money sent to relatives, savings, purchasing of land, etc.).

The amount of money earned is not the only important factor to be considered in evaluating financial results, however. Regularity is another essential feature. Actually, these activities are prized for the income they yield and for its regularity as well (at least once a week), which enables women to cope with day-to-day problems.

## CONCLUSION

*Crisis and local trend*

This study shows the importance of the present trend in the food sector in a medium-sized African town. The movement has been amplified by the crisis and governmental withdrawal, which has forced grass roots actors to take initiatives. The logic behind this situation should not be taken too far, however. If the purchasing power of the population declines too sharply, if the government does not inject enough money into the local economy, all of these small entrepreneurs will no longer be able to adapt. Many people are already concerned with the situation of civil servants, who constitute a reliable, solvent clientele for businesses in general (and not only food-related ones), and contribute considerably to the cash flow within the local economy. Many civil servants were

laid off early in 1993, however, while others experienced serious cuts in their salaries, which have been paid two or three months late.

Perhaps there were more civil servants than needed. In that case, the administration should find other ways of sustaining a modicum of solvent demand and more generally, other ways of supporting the country's economic activity. It is illusory to believe that the government can disengage itself any further without causing irreparable damage.

*African enterprises*

The initiatives identified here are true enterprises. They galvanize capital, and labour for the production of commodities, while adjusting continuously to the context encountered, which obliges them to take risks. These units reflect the African spirit of enterprise.

Many experiments aimed at promoting the creation of local SME have been conducted in Africa. Often they have not been successful, either because the commodities were not adapted to local consumption or because the techniques recommended were not in step with the local technical systems. These failures have raised a number of questions, which tend to concentrate on the ability of Africans to found enterprises, and more infrequently question the ability of researchers and developers to grasp the internal logic of the existing units. And yet, this is a real question : what hopes can there be of creating viable enterprises if the network of family and ethnic relations (to take one example) in which all activities are embedded - including the economy - are not taken into consideration ?

*Support for micro-enterprises*

Support for these micro-enterprises should include action comprised of three mutually supportive facets :

- a technical side : development of new equipment, techniques or products aimed at overcoming the bottle-necks identified, and which are coherent with local technical systems and consumption patterns ;

- a socioeconomic side : with emphasis on access to credit, organizational skills for people in charge of processing, marketing strategies for businesses, accounting and production management ;

- training and the circulation of information : training sessions may focus on methods, machines, etc. In addition to professional trainers and specialists in technology, they should call on other people known for their technical proficiency and/or success in the field.

Overviews of local experiments may be drawn up to encourage inter-regional and even international exchanges.

The crisis has led us to identify some positive trends. These must now be reconsidered in the framework of socioeconomic policies which would create an environment conducive to the development of small African enterprises.

# WOMEN'S WORK IN THE BIGNONA REGION (Senegal) : GENUINE ENTERPRISES*

The district of Bignona, located in northwestern Lower Casamance (southern Senegal), is predominantly rural. During wintering, rice-growing is the main activity of its 157,744 country people (1), 85 % of whom are Diolas. The role of women varies in importance here, depending on the milieu : Diola women transplant and harvest rice, whereas in the Mandingo areas they are in charge of the entire rice-growing process (2).

Thanks to its sub-Guinean climate and despite a tendency to drought, it has a relatively luxuriant vegetation. Highlands covered with sparse forests alternate with floodable valleys, and their palm groves. The variegated plant species may be put to any number of uses : fruit is eaten in its natural state or processed, roots and plants are used for medicinal purposes, tree leaves are made into fences or used for framework and crafted objects. A dense network of marigots is conducive to fishing.

This agricultural/ecological profusion is not the only peculiarity of the area. There is also a very diversified, intense organizational dynamic. Some 410 associations are federated in 9 peasant organizations which form the Coordination of Rural Organizations in the District (CORD) since 1988. By their numbers and work, women are naturally the main protagonists in these organizations. Most of the activities of the associations are in fact connected with women's work : market gardening, food processing, dyeing, small sales units. Women also develop some of their activities more informally, in small groups, in working partnerships - ekafays (3) - or individually. This is some indication of how numerous and vivacious women's enterprises are.

## ORGANIZATIONAL DYNAMIC

The reasons for this organizational dynamism are inherent in the changes in weather conditions and in the socioeconomic situation experienced over the last few decades, with droughts, withdrawal of government support and greater integration in the modern economy.

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*(1) The town of Bignona counts 26,712 inhabitants, and the population of the entire district is 184,456 (source : monograph of the Bignona district, Prefecture of Bignona, 1991).*

*(2) Two production systems are found in the Bignona district : the Diola system, in the western part, in which the division of labour between men and women defines separate tasks, and the Mandingo system, in the eastern part, characterized by a crop-defined division of labour : men grow peanuts and millet on the highlands, while women grow rice.*

*(3) A working partnership with a social, economic and cultural vocation, constituted on an age and gender basis, at the homestead, neighbourhood or village level.*

*** by Christiane DARDE**

Since the drought years of the 1970s, rice production has declined considerably, and broken rice imported from Thailand increasingly completes the stock of local rice. The men have cleared more land on the highlands, on which to grow peanut, which yield cash for purchasing provisions. It is in this context that the first neighbourhood and village associations, along with the first federations, were born, on the initiative of local leaders and with the help of some outside interventions. The underlying motives were the need to combat the rural exodus and the effort to achieve food self-sufficiency : the development of market gardens brought men and women together around this shared problem. Gradually, other activities such as tree-growing, processing and animal husbandry were added. It is interesting to note that these associations were usually outgrowths of pre-existing associations, the ekafay.

It is the women, who are in charge of feeding the family and educating their children, who are primarily affected when the rice bin is empty. Their husband's earnings no longer suffice to meet the needs of the household. Since the government has withdrawn its support, fertilizer and selected seed peanuts are no longer supplied on credit. The selling price of peanuts is also declining : in 1988, it dropped from 90 to 70 F CFA a kilo. At the same time, recourse to cash earnings is now inevitable, particularly since new needs have arisen, through the popularization of other patterns of consumption. Women therefore work at a number of lucrative activities to earn money with which they finance their own personal expenses and, increasingly, purchase the household essentials such as rice, in addition to the relishes that complete the sauce, and petrol for lighting the house. They also buy school supplies for their children and any medication they require. The burden of keeping a household seems to be an increasingly heavy one for women, whereas their economic environment is deteriorating. This explains why they organize associations, groups and partnerships (ekafay) to diversify their lucrative activities, but also to ease their work load.

What do these women do, and how are they organized ? These questions will be discussed below.

## WOMEN'S ACTIVITIES AND FORMS OF ORGANIZATION

### Market gardening

Gardening in the association's market garden plot is an everyday activity for women and children during the dry season. Several vegetables are grown, including tomatoes, cabbage, onions, jaxatu (bitter eggplant) and pimento. Each woman has one or several beds (a plot of about 10 $m^2$). Work is done individually, but women always cooperate for watering plants and selling crops. The men take part in some work such as clearing land and digging wells. Occasionally they grow trees or plant vegetables and peanuts on a part of the plot during the rainy season.

The constitution of an association makes it easier to obtain seed and pest- and weed-killers, which are purchased wholesale, using the dues paid by the women. Occasionally the association purchases them directly, at reduced price, from the warehouse run by the peasant organization to which it belongs. Facilitators from the

federating organization or agents from DERBAC (4) often provide technical support for the women in the association.

Thanks to gardening, women are able to incorporate fresh vegetables in their sauce, for every meal. Further, sale of vegetables brings in earnings of as much as 16,000 F CFA per season. This money enables them to make day-to-day purchases (relishes, soap, petrol) or some exceptional ones (school supplies for their children, clothing, provisions during the difficult pre-harvest period, payments to the ekafay during rice-growing). Market farming seems to be a response to women's various concerns, then.

## Processing of farm produce

Picking and processing farm produce is primarily women's work. With the persistence of drought, these activities, formerly done for home consumption, have become lucrative and consequently, have been "revitalized".

During the dry season, women process a number of foods, such as palm nuts, néré (5), lemons, some fruit and vegetables, and fish, while others (monkey bread, madd) (6) are sold in their natural state.

Processing may be hard work, in some cases, and quite time-consuming, since every step is done by hand (except in some associations, which possess a press for the extraction of palm oil). Often women work together, within the association, the ekafay or in small groups, to reduce the fatigue induced by some types of work or to increase their productivity, but occasionally they work separately.

The processing work done collectively should be distinguished from other forms of organization.

*Work in associations*

Irrespective of whether the processing is done as a group activity or individually, the production cycle is managed by a production unit, be it the association or the individual woman. All of the expenses tied to processing are covered by that unit : purchasing of raw material and fuel, transportation, packaging, manpower and food. In addition, the finished product is commercialized by the members of the processing unit for their own benefit. The profits made, following deduction of the various productive expenditures, may be put to one of several uses, as decided by the members of the unit : financing of household and personal expenses or of the association, updating of the activity, equipment for the village, etc.

*(4) The Lower Casamance project for rural development (DERBAC), which helps member producers obtain access to credit, also provides technical follow-up for market-gardening associations, with emphasis on growing techniques, pest and disease control and equipment.*
*(5) Néré is a tree yielding fruit in pod form, from which women remove the mealy pulp, which is edible, and the seeds - also called néré - from which they make nététou - sumbala.*
*(6) Monkey bread is the fruit of the baobab ; madd is an acid fruit with orange flesh, rich in vitamin C.*

*Oil extraction*

Palm oil-making is an excellent illustration of this pattern. Several steps are involved in the extraction of oil. Aside from the cutting of bunches of nuts, which is done by Manjack men, women do all of the work : gathering wood, carrying the bunches, picking the nuts off the bunch and cooking them, grinding, second cooking, oil extraction. The entire operation may take from three to nine days depending on the size of the team, the type of pressing and the number of bunches processed. To take an example : a group of 50 men and women work for nine days to produce 600 litres of oil. As a rule, when the association either owns an oil press or rents one, the pressing is done by the men ; the latter occasionally work with the women at gathering wood and cutting, carrying and picking the bunches as well.

Oil is sold loose, for about 350 to 500 F CFA a litre, usually to a local merchant, but if necessary the women sell it themselves in urban centres (Ziguinchor or Dakar). Profits for sale of a whole batch range from 65,000 (for 150 litres) to 120,000 F CFA (for 350 litres). Some groups are able to do up to three extractions a season, thus multiplying their gains by three. Earnings are put to the satisfaction of a number of needs such as purchasing provisions for the pre-harvest period, to be redistributed to members of the association, financing of the association or of village activities.

*Drying/smoking of fish*

Smoking or drying of fish is another womanly occupation done individually or within an association. The fish may be sold retail by each woman, or shipped in bulk to urban areas, in a vehicle rented by the group. Consumers are fond of this food, especially people in villages with no nearby marigot, and no access to fresh fish, but also those living in the country's various cities.

*Jam-making*

The production of mango, madd and papaya jam and of tomato concentrate has recently been introduced by some projects supported by NGO. Young men often take part in it, along with the women. This may be a profitable activity if it succeeds in finding customers among some of the more affluent strata (civil servants, cooperation workers, etc.), since the sales price is quite high for the moment (500 F CFA for a 500 g jar), and tomato concentrate cannot yet compete with the shop-bought kind.

*Working in an ekafay*

Ekafays and small groups of women may also do processing as a mutual aid arrangement or as a paid service. The processing unit then simply provides the labour required for processing. The work is done free of charge in case of mutual aid, for a fee in case of a paid service. The processing unit does not take responsibility for finding raw materials or sales, and the income is then net. The earnings therefore go into the till of the ekafay or of the group.

*Making nététou*

The case of nététou-making is a good example. This relish is the product of the cooking, fermentation, salting and drying of néré seeds. All of the work is done by hand, and it may require from two to three days. As a rule, the raw material (néré) is provided by a merchant, who pays 2,500 F CFA per 120 kg bag of the final product and sells it on the Dakar markets.

Two types of organization may be encountered. Women may divide up the seeds and work separately, or each do part of the process. They are then paid proportionally to the amount of nététou produced. Earnings amount to about 5,000 F CFA per woman. Another type of organization may be seen : members of the ekafay (or of a group) process the entire supply of seed provided by the merchant. The association is then paid the same price per bag (2,500 F CFA) and may earn up to 50,000 F CFA. The money is divided up among the participants, or is kept in the till of the association.

The extraction of palm oil, like nététou-making, may be an individual activity. Women may help each other and form small groups, or galvanize their ekafay on the basis of a clearly defined rotation. If large amounts are to be processed, payment is offered for work within the ekafay : earnings are proportionate to the amount to be processed, calculated in numbers of barrels (500 F CFA per barrel) or baskets (250 F CFA). This is another source of income for the ekafay (between 15,000 and 47,000 F CFA per season). Generally, however, women produce between 30 and 60 litres. The oil is sold by the women or by a member of their family living in Dakar. The profits range from 13,000 to 20,000 F CFA per season.

*Lime juice*

Lime juice-making is an individual activity, done within homes, whenever women have time to devote to it ; that is, usually after the evening meal. A pestle is generally used to press the limes. The juice is put in tins or bottles and sold retail by each producer in urban areas, on marketplaces or door-to-door. Sometimes commercialization is organized by the association, which rents a lorry, using the dues paid by each vendor, to carry the juice to Dakar. The net earnings range from 15,000 to 61,000 F CFA per woman.

Like market-gardening, processing activities are a source of income, albeit in varying amounts, for women, who are then able to meet some of their own personal needs and those of their family, but also those expressed by the community.

**Small trade**

Many foods and food products are offered for sale, including dried fish, the product of gathering and packaged food (such as rice and sugar). This is an individual activity, but often women form a group which may include some of the women in the association. They put their fees together and delegate someone from the group to purchase the merchandise, which is then divided up among the vendors. The sales price is set in advance by the group. Once the stock is sold, the earnings are pooled. Profits range between 3,000 and 50,000 F CFA. If the women decide to reiterate the operation, they put some of the profits aside and share the rest. This type of organization solves the dilemma of the women's meagre finances and their need for a relatively substantial working capital.

## MAIN LESSONS

These different organizational patterns for women's activities are indicative of their ability to innovate. Women are ready to make every sacrifice to earn some income, and they are quite able to act

as entrepreneurs in the economic sense of the term : they take risks, innovate and actively popularize their innovation. Women occasionally succeed in putting part of their earnings aside, and these savings enable them to continue their activity, take care of their pre-harvest expenses and finance extras such as the expenses incurred for initiation festivities, or simply to invest (to purchase household equipment or livestock).

Women use a number of strategies to improve their living conditions, and collective work (in an ekafay, a group of women or an association in some cases) is less tiring.

Clearly, the old forms of organization (the ekafay) are flexible, malleable structures which may undergo modifications, or disappear, depending on the social and economic constraints encountered by women. The ekafay is above all a group that is an integral part of the way of life of Diola peasants, one which is revived by women on a number of occasions : for specific practices such as the initiation of girls, women's celebrations and the invocation of fetiches, for mutual aid or paid services during rice-growing or food-processing, etc. A new, monetary objective has now been added to its mutual aid and cultural vocation. The group's earnings finance a number of expenditures including women's special dress ("asobi") (7), the association's expenses, structural neighbourhood investments (cf. figure 4).

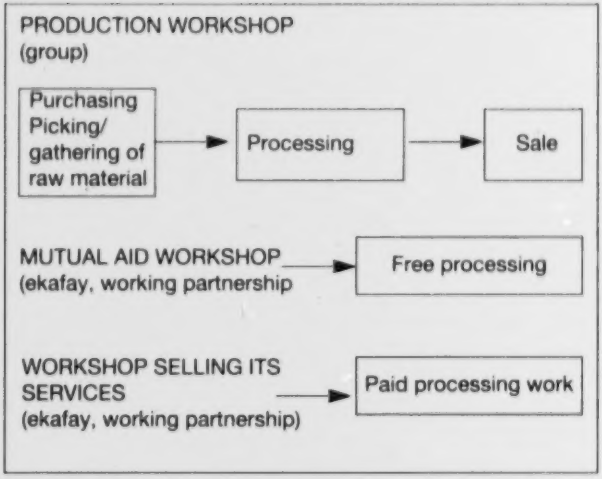


*Figure 4 : Different organizational patterns for processing work.*

The association is a more modern, more easily identifiable form which enables women to gain access to outside support, be it technical, material (wells and mills) or financial (credit). It is also a framework within which the interests and strategies of men and women come face to face, and consequently an ideal place for the diffusion of new ideas and practices, furthering the development of different social relations between protagonists.

*(7) Identical costumes made of the same cloth, and worn by women during religious ceremonies or cultural events.*

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# INSTABILITY AND STRUCTURAL CONSOLIDATION OF THE INFORMAL SECTOR*

*The previous two chapters clearly illustrate what some women-run food-related micro-enterprises are like and how they function in the African context. What do they have in common with other activities in this extremely heterogeneous sector ? In Africa, Asia and South America, in urban areas for the most part, but occasionally in rural areas, micro-enterprises run by either men or women deal variously in service, trade or production, in many branches of the economy.*

*The street vendor of ices and drinks, the owner of a neighbourhood grain mill, the woman who has set up a sort of eating place in an office area, the small furniture-maker, the auto mechanic, the seamstress shop all do, in fact, have some features in common, which the present chapter will attempt to describe and analyse.*

Informal enterprises have now earned a degree of recognition in most developing countries. Some projects have actually been designed to encourage the creation and growth of micro-enterprises, but most have been failures. It is easy to draw the conclusion that the informal sector is incapable of innovation and development. However, a closer look at how it functions and what its dynamic actually is leads us to quite a different analysis.

An in-depth study of the informal sector in Madagascar, and especially in the towns of Antananarivo and Antsirabe, as well as the observation of many other African cities including Niamey, Conakry and Dakar has yielded a great deal of material for the interpretation of this phenomenon.

In the extremely unstable economic context prevailing in most developing countries, big business is equipped to reduce risks and to cushion itself against instability by controlling its environment. The small business owners in the informal sector make no attempt to control their environment, although their situation is much more precarious (with narrow markets, partners with no tradition in trade, production units easily disturbed by the hazards of the climate and the economy). Instead of adopting an aggressive stance, and investing to increase productivity and competitivity, they prefer to choose another market, or to work at a number of activities or in technical/economic interdependence with their competitors.

It is the "strangeness" of this behaviour that we will attempt to explain, first at the microeconomic level, then by a meso- and macroeconomic approach, for the informal sector level, first, then for its integration in the national economy.

*** by Guy Pourcet**

## THE MICRO-ECONOMIC APPROACH

People have at least two types of social relations : domestic relations within their family, and market relations at their workplaces and with suppliers.

In micro-enterprises in particular, domestic and market activities constantly interfere with one another. The informal production unit, or micro-enterprise, is embedded, so to speak, in the domestic, household unit. The domestic unit itself is connected with other households through a multitude of ties - in which manpower, liquid assets, savings and consumers circulate - and is embedded in an extended family. In this way, extremely close ties are often maintained with relatives who still live in the country, resulting in numerous exchanges in which farm produce circulates and children are sent to the city for apprenticeship, etc. The functioning of enterprises and the status of the people who work in them must therefore be viewed from two angles : that of the production unit or mercantile production, and that of the family, or domestic relations.

### The domestic unit

The household as a unit should be viewed as a place for the reproduction and allocation of a stock of rare resources. Urban households resort to a number of strategies to adjust to unemployment and declining wages : either they reduce their monetary expenditures or they increase their participation in informal activities. The reduction of monetary needs usually involves the reinforcement of community ties, and concretely, the transferral of part of the burden of maintaining the city-dwellers to some relatives living in the country. It is a fact that through the laws of hospitality and of tutelage, consumers may momentarily be shifted from one budget to another, or from the city to the country. The wife and children of a city-dwelling civil servant may move to the country, for instance, to take advantage of community solidarity. Once there, they may open a small retail shop, the working capital of which will be supplied by the wages earned in the city, while at the same time the family may be fed out of the stocks. This example already implies the search for extra income, however.

All families dispose of a "store of human energy" - which is to say, available manpower - whereas many have meagre material or financial resources. Their members work at a number of side activities aimed at contributing regularly and sufficiently to the family budget, and to meet their personal needs. When real wages (1) drop the available human energy is seen to undergo a change in orientation, with redirection from private to mercantile activities, or from official to informal employment. However, only exceptionally does a family willfully forsake official wages, however low, since they represent some insurance against the unreliable character of informal earnings. For this reason, the reallocation of human resources takes on different characteristics depending on whether it is domestic activities or wage-earning employment which are reduced.

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*(1) Real wages : if the increment in standard wages - that is, the amount of money paid - is lower than the rise in prices, there is said to be a drop in real wages.*

As a rule, employees work full time at their job, and their wages suffice to purchase all of the household necessities. When the average real wages fall to the point where families cannot ensure their survival by spending those earnings only on the market, it may well become socially illegitimate to demand the same amount of effort of wage-earners. This is the situation that prevails in many sub-Saharan African countries. The public sector and many private employers cannot prevent their workers from doing outside work, even if this adjustment involves a deterioration of the employer-employee relationship, which may take the form of increased absenteeism, embezzlement, misappropriation of corporate assets or corruption.

Adjustment may also involve the mercantilization of domestic work : that is to say, the transformation of a domestic activity into an economic, or market-oriented, income-generating activity. This is the case for cleaning ladies, laundresses, women who run eating places, seamstresses and other women who sell goods and services which were traditionally reserved for their family. They become specialized and develop new markets, thus increasing the productivity of housekeeping tasks. The improvement in productivity is exclusively based on the intensification of women's work and the longer hours devoted to it, since household appliances are still excessively expensive in comparison with local services. This relieves other women of a number of tasks (meal preparation, clothes-washing, etc.), and they may then take positions requiring other types of skills.

Relations within the household are radically transformed by the mercantilization of domestic work, although men may not be aware of this. African men with several households to maintain can only contribute small sums of money to each one. From time to time they bring in a little money to reconstitute the working capital, or make episodic gifts to their wives who run a trade. As a result, the latter become quite independent, and are increasingly preeminent within the household framework. In the poor neighbourhoods of Antananarivo, in Madagascar, the number of women heads of households is rising rapidly. They choose more or less temporary "husbands", who may be dismissed for bad conduct and will perhaps complain to the "fokontany" (the decentralized community), but the women retain complete custody of the children.

These dissolute marital practices should not conceal the fact that the informal business-owners form a petty bourgeoisie which is extremely solicitous of its reputation and most anxious to be thought honourable.

## MANAGEMENT OF MICRO-ENTERPRISES

The workshops and shops of the informal sector have been obliged to face two challenges : to provide the unemployed and the least-paid workers with a means of subsistence, by affording extra income to complete their resources, and to cope with the risks inherent to narrow markets and the lack of an appropriate credit system. Owners tend to innovate in the organizational sphere, with relatively little concern for their technological perfor-

mance. The proliferation of informal workshops is indicative of how well these managerial methods are adapted to the local socioeconomic contexts, but expansion of such informal enterprises is hindered by organizational thresholds.

**Management of human energy**

Workers' status is rarely defined by their technological proficiency, but rather, usually, by their personal relations with the owner of the micro-enterprise. Surveys show that two thirds of employees in the informal sector are related to their employer, almost all are from the same ethnic group and the smaller the enterprise, the more homogeneous it is. This feature is one outcome of the inclusion of workshops and shops in domestic units, and from the economic viewpoint, is explained by the fact that the marginal cost (2) of manpower supplied by the family is practically nil, since upkeep must be provided for relatives within the domestic unit, irrespective of their participation in production. Usually, family manpower is given occasional compensation, in kind or in cash.

When obliged to recruit permanent workers outside of the family, employers attempt to establish patronage-type relations with them. These ties become independent of the economic relationship, so that they may survive any temporary interruption of the latter. The employer may then recontact former employees, or modulate wages, in accordance with available funds. The fact that workers are given partner status is generally indicative of the non-salaried nature of the relationship, rather than of any contribution of workers to the initial investment. Apprenticeship is not simply in-service technical training, occasionally rewarded by some bonus : once the skills have been learned, it is up to the apprentice to gain sufficient notoriety to be able to set up his or her own shop. This explains why apprenticeship is so long, and suffices to provide permanent manpower for small workshops. Last, there is always a reservoir of workers, who may be taken on for the short stint required by a single operation. Like those mentioned above, these relations may generate obligations of mutual aid.

These working relations are quite well adapted to the prevailing market instability and lack of technological sophistication, but they make modernization of workshops difficult. Formal salary-based relations are necessary if technical competencies are to be enhanced through work contracts, but since these workshops produce for markets that are too narrow and unstable, they are unable to guarantee a steady income for their workers.

**Technological choices**

Economists postulate three determinants involved in making technological choices, which we will assume to be behind actual behaviour : maximization of profit, availability of factors of production and management of social relations.

*(2) Marginal cost is the increase in total cost attributable to a rise in the amount produced. It is nil when an increase in production does not require any additional expenditure.*

*Maximization of profit*

The primary criterion may be the attempt to maximize profit. Techniques will then be defined in terms of engineering, with no regard for the actual conditions present in the natural environment. It is assumed that all upstream and downstream factors are adaptable and controllable. Modern enterprises select their technology in this way, from among the full range offered by manufacturers and engineers from industrialized countries.

*Availability of factors of production*

Another determinant of technological choices is the local availability of factors of production : the greatest constraint is identified, and technology is adjusted to it, thus economizing on the rare factor and concentrating on use of non-limiting factors, so as to increase production. In developing countries, this strategy leads decision-makers to prefer techniques with a low incorporated capital investment. Developmental economists believe that the international transmission of growth is feasible, and criticize this approach, contending that "appropriate technology = underdeveloped technology". However, employers in this sector who have no hope of receiving foreign investment and are not even aware of the existence of ultramodern technology use the techniques that cost least, those which are best adjusted to the locally available factors of production.

*Management of social relations*

The above-mentioned considerations conceal the power relations inherent in the choice of techniques. And yet, a given technique may well be preferred because it consolidates hierarchical working or income relations, rather than for its technical or financial efficiency. In "modern" African business, for example, the division of labour between foreign executives and local manpower corresponds to definite technical choices in perfect harmony with tremendous inequalities in income distribution as well as with international dependency.

In small workshops, on the other hand, technological choices are in keeping with a more equal distribution of income, since the patronage-type relations serve to disconnect hierarchical relationships from differences in earnings. Small employers are well aware that it is not so much the accumulation of a technical capital that prevents people from entering the informal sector, as the lack of notoriety and the difficulty in establishing one's position within the complex subcontracting networks.

Further, in micro-enterprises, the preferred techniques are those that are most apt to internalize external savings and to externalize pollution, which is to say, those that make the best use of cost-free resources outside of the enterprise, while transferring the negative effects of their activity elsewhere whenever possible. Small employers always prefer free inputs to supplies sold on the market. To take an example, instead of improving their stoves, owners of eating places in Antananarivo reduce the cost of cooking by having the rice pre-cooked in the country, where wood is free.

**Cash advances**

Money is always in short supply, since micro-enterprises and their reserves (if consumable) also serve to maintain the family. At any

time, then, the family can take money from the till, rice from the reserve, etc., to meet its day-to-day needs. If business is bad and household consumption is not cut down quickly enough, the working capital of the enterprise is amputated : the amount of inputs (3) purchased must be reduced, and production and earnings decline. The only way to stop this downward spiral is through outside financial help (credits, wage-earning) or the acquisition of free factors of production. This is why micro-enterprises make every attempt to use cost-free inputs derived from the family's possessions or from the natural environment. For instance, a brick-maker only uses clay from the family rice paddy, charcoal-makers cut their wood in the tribal or public forest domain, which the local authorities are unable to protect.

Because of this chronic shortage of money, management always complies with one particular precept : the small owner consistently tries to obtain the greatest possible productivity for his/her monetary advances by replacing purchased factors by what can be obtained free of charge. This means that any monetarization demands that a different managerial conception be learned and work reorganized ; this makes the workshop momentarily less productive.

Observation of sample groups of enterprises in a same branch shows the productivity of different factors to seesaw. Branches working with similar materials show comparable fluctuations (4). In the Madagascan capital, for instance, production per worker often drops when the number of employees rises from three to five, and again beyond ten. Similar scale-related reversals, although less systematic, may be seen for fixed assets.

These studies show the existence of thresholds for the organization and growth of informal workshops. These thresholds correspond, for instance, to the changeover from use of family labour to manpower with patronage-type ties, and then to wage-earning manpower, or again, to the switch from self-produced supplies to purchasing of the main inputs. Crossing of these thresholds modifies the way in which these micro-enterprises function, generating a rise in production costs and subsequently, a decline in productivity.

## The production process and fixed assets

*Day-to-day purchasing*

Business owners attempt to reduce immobilization of capital essentially by stimulating the rotation of stocks and making sure tools and machines are utilized to full capacity. Stocks of raw materials and of finished goods are practically non-existent, with the former often purchased retail and goods produced on order. Many food-making micro-enterprises buy ingredients on a day-to-day basis, for instance, and sometimes on credit. Recourse to

*(3) Input : a factor required for producing a commodity, such as raw materials.*

*(4) Pourcet G, Rabetsitonta T, Raparson E. "Le développement du secteur informel à Antananarivo et ses conséquences urbanistiques". Antananarivo : UNCHS/DAUH, 1985.*

sub-contracting is required as soon as a machine is needed. Usually a group of competing workshops share the same lathe, planing machine or soldering iron. Manpower is systematically preferred to investment of capital.

*Underqualified manpower*

Ordinarily, the replacement of machinery by labour requires the employment of more qualified manpower, whereas occasional workers and apprentices are by definition insufficiently qualified. Furthermore, technical proficiency is not sufficiently valued within the working situation, so that the permanent workers themselves are not motivated to improve their skills. Entrepreneurs must innovate, then, and do without certain crafts and industrial traditions when structuring their activity. As opposed to craftspeople, who control every step in the production process, or to manufacturers who control at least part of it, micro-entrepreneurs do not choose their workers and tools on the basis of the technical requirements behind the production of a given end product, and do not attempt to make their workshop run independently of its economic environment. If they own any expensive equipment such as a soldering iron, they tend to push toward the use of this tool to its full capacity, by specializing in some individual operation or supplying services catering to the needs of their competitors just as well as of customers. Reciprocally, employers count as much on the equipment of competitors as on their own strength, and do considerable sub-contracting.

*Under-equipment*

*Sub-contracting*

*Multiplication of middlemen*

Retail purchasing, under-equipment and almost systematic recourse to sub-contracting increase costs. Profits are further amputated when producers who are unable to stock finished goods entrust them to a series of middlemen. Still and all, the additional costs linked with both the proliferation of commercial middlemen and the fragmentation of production processes remain lower than the interest the employer would have to pay to moneylenders if he/she contracted loans for improving storage and equipment in order to function more independently. Actually, it is as though micro-enterprises shared the burden of the fixed assets (5) required for their normal functioning within a technicized economy among themselves, with no single one capable of functioning by itself, but forming a viable sector as a whole. The innovation here is social in nature rather than technological : it resides in the dense ties between enterprises. Those factors which contribute to the competitivity of a micro-enterprise are external to it. This situation is suggestive of an organism with an exoskeleton.

*Dense ties between enterprises*

*Proliferating competition*

In the last analysis, the outcome of these practices and of these accepted, and in fact desired, interlocking dependencies, is the multiplicity of enterprises. In this context, competition does not aim at eliminating the least competitive shops. Owner-sellers

*(5) Fixed assets : elements at the disposal of an enterprise (property and outstanding debts) needed for continuation of the activity (equipment, facilities, business, loans to customers, etc.), and which cannot be rapidly turned into liquid assets.*

compete for control of the work, but producers do not, since competition is bridled by a system of generalized technical cooperation. This might be called "proliferating competition".

**Business risks**

In this system, the risk inherent in any business-type economic enterprise usually does not rest on the production unit, since it tends to be increased by the subordination of the workshop to the logic of family survival. This risk is in fact shunted to the surrounding environment, that is, to customers, manpower or suppliers.

Owners of micro-enterprises have multiple personal ties with customers, to secure regular patronage or consolidate their narrow market niche, but also to generate a system of intermeshed credit and advances, so as to place the finances of the enterprise out of the family's reach. The same concern is apparently behind the success met by money-holders and tontines in Africa (6).

Enterprises also transfer the risks incurred by the instability of the market to their manpower. When family labour is employed, the cost of risks is shouldered by the domestic unit, while patronage relationships make it possible to delay payments when activity slows down, and the employment of occasional workers affords great flexibility in tailoring work to orders.

Suppliers, and even other micro-entrepreneurs tied to the enterprise by the mechanisms of proliferating competition, help to stabilize the activity. Here again, the image of the exoskeleton is eloquent.

**Growth**

Workshops cannot expand continually without ceasing to be informal and forsaking the structural peculiarities which enable them to be competitive. Growth seems to imply the mercantilization of all of the productive forces, the split between business and family, the restructuring of capital in accordance with the technical and economic necessities of the commodity, an end to the facilities of proliferating competition and acceptance of the rules of the official economy. This structural revolution encounters some nearly insurmountable obstacles, however : the necessary reorganization of the workshop makes it less profitable.

For these reasons, owners in the informal sector prefer to diversify their activities by reiterating the same informal structure in different places, or even in different activities, rather than expanding their initial enterprise.

These micro-entrepreneurs will only turn to work on industrial lines if diversification of their activities encounters some social or political barriers, or if the industrial activity is part of a sequence of highly profitable international trade or exchange operations.

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*(6) Money-holder : a person known to be of excellent morality or affluent (rich merchants, community leaders, etc.) who keeps money on deposit, interest-free, for people who do not wish to have it in their possession, either for security reasons or to avoid social and family pressure.*
*Tontine : an organization based on the rule of reciprocity : members all pay dues regularly, and take turns receiving the entire sum collected.*

## FROM THE WORKSHOP TO THE SECTOR, FROM THE SECTOR TO THE ECONOMY

Informal workshops do not take part in the local or national market in the same way as official firms pressured by numerous constraints. They have an extremely restricted market sphere, and above all, they do not owe their competitivity and stability to the independence of their production process.

The proliferation of sub-contracting and the interconnections between commercial relations and productive activity actually enable them to spread the burden and the risks, to establish a dense, compelling network of technical and socioeconomic interdependencies and to protect themselves from the devastating effects of competition. Micro-enterprises are thus able to proliferate without applying the conventional rules of technically rational behaviour. With this type of management, the idea is to multiply uncompensated costs, which will be shouldered by the surrounding environment (extended families, fellow workers or associates, competitors or sub-contractors, the government, the natural environment).

Usually, development projects and action aimed at the informal sector act at the level of the micro-enterprise itself. Experts, who deem themselves competent in the field, tend to popularize technology and capitalistic managerial principles. Such action modifies the integration of the workshops in their socioeconomic environment, with a tendency to autonomize their production processes, so that they may grow in size, in some cases, but actually makes them more vulnerable. Once these supportive agencies have withdrawn, these micro-enterprises collapse at the first conjunctural jolt. For this reason, in recent years some programmes have been researching and experimenting different methods for intervening in the informal sector, with emphasis on groups or collectives of workshops.

Some hypotheses may be formulated as to the way in which informal workshops mesh into groups and networks. The latter form the context within which risks are managed and the factors contributing to competitivity are controlled, and the organization of these groups forms the exoskeleton of workshops. Corroboration of this hypothesis might have extremely important practical implications. An understanding of the "exoskeletons" of the informal sector and of the properties of "proliferating competition" would in fact modify the criteria on which projects are evaluated. It would enable experimentation of new methods of intervention aimed at the group of micro-enterprises and integrating the informal sector in macroeconomic policy.

### "Exoskeleton" or "proliferating competition"

The "exoskeleton" of a group of workshops is formed by all of the procedures which bridle competition, and ensure the efficiency of a type of rational behaviour which is different from that of the abstract neoclassical free enterprise model. The agents and objects involved in these procedures form a cohesive community, the rules of which may be analysed in terms of contracts between individuals.

It would be interesting to reflect both on the respective place of the market and of organization, and on the specific roles of cooperation and competition in structuring communities of micro-enterprises.

*Workshop communities*

Market instability obliges small owners to maintain their assets in liquid form (7). This increases exchanges between workshops, but would not in itself be conducive to the formation of communities of workshops if the reputation of their goods were not at stake. The customer-producer relationship forces small owners to establish lasting ties with their employees or sub-contractors, segments the workshop population and defines "communities".

*Competition - cooperation*

The primary concern of every producer of a commodity is to reassure consumers as to his/her goods. At the same time, the fluctuations in quality, delivery times and the continuity of after-sales services are much more debilitating for workshops in the informal sector than for industrial manufacturers. The latter offer standardized products thanks to the mechanization of production, build up stocks, respect production norms and are reassuring, because of the volume of their fixed assets. Micro-enterprises are not equipped to take on this competition. Small owners prefer to consolidate their market by establishing and reinforcing personal relations with their customers. They personally guarantee the quality of their products and the delays, and their reputation often entitles them to raise their prices. Furthermore, they are dependent on a number of suppliers and sub-contractors whose specialty or capacity differs. If suppliers are to keep their promises, preferential ties must be maintained with them : orders will be made regularly, advances and loans consented, participations made to their ceremonial expenses ; in short, they are circumvented and enmeshed in a system of mutual obligations. In this way, small owners make sure they are given priority when they order some work, and ensure a modicum of quality. Customers, sellers and sub-contractors are thus bound by a "quality pact" (8), which situates the product on a different scale of evaluation from that used for industrial goods.

*Hierarchy*

Each owner has his/her own customers, as a rule, so that the obligations of speed and quality are equivalent ; but if one micro-entrepreneur secures more orders than another, an imbalance occurs in the mobilization of their respective productive forces. Small owners are in competition, then, for attracting customers and gaining priority in access to cost-free inputs, whereas their workshops cooperate to meet the demand. They differ in reputation, and in the ability to increase their prices. Owners who have acquired a greater reputation among customers begin to develop patronage-type relations with their sub-contractors as well as with their aids and fellow workers : a hierarchy sets in within the community of workshops.

**Workshop communities**

Free-market economy theorists contend that the market alone is capable of coordinating the behaviour of individuals, and view organization as a parasite in the market system. This conception is

*(7) The term "liquid assets" is taken here in the broadest sense, of maintaining open the largest possible range of options.*

*(8) Eymard-Duvernay F, Favereau O. "Marchés internes, modèles d'entreprises et conventions de qualité". Communication aux 7èmes journées de micro-économie appliquée. UQUAM, 25-26 mai 1990.*

*Organization - market*

unsuitable for the analysis of the informal sector in an economy where the domestic market is weak and limited. Organization cannot be viewed as a substitute for the market, since it may also play a functional role within the market economy. An informal workshop community is not incompatible with the market and should be understood within the dynamics of its own construction. In fact, markets are generated by organizations which favour the development of exchanges, which in turn may be destabilized by that development. There may be "market and organization economies", then, in which organizations have varying positive effects on the growth of exchanges at different places and times, depending on whether they affect the circulation or the production of commodities.

For instance : marketing organizations, such as the Nigerian cattle traders' organization, are designed to facilitate transactions covering stocks of goods. Peul herders have no contact with the market : djilals, the group of which acts as an intermediate chamber between the non-mercantile herders' organizations and the market, negotiate for them and guarantee the quality of the animals, which they transform into commodities.

*Uncompensated social cost*

The workshops in the informal sector prosper or survive thanks to the intensive use of cost-free factors (unpaid family manpower). They draw on a multiplicity of uncompensated social costs, which are passed on to the surrounding environment : extended families, partners or competitors, the government, nature. This concept of uncompensated social costs is valuable in discussing each workshop's relations with its natural and socioeconomic environment. This cost is said to be social because it affects the well-being of a community, and uncompensated because the hazards are not taken into consideration in the market price. The user of these cost-free factors is therefore not charged for them in his/her capacity as producer of a commodity. There are, however, some rules for compensation, on which there is group consensus, or more frequently, a contribution to the stabilization of the activity of workshops, in the form of guarantees of regular supplies, sale of goods, advance payment for orders or credit ensuring the compensation necessary for the group to function. The workshop community is grounded in these mechanisms for managing uncompensated costs, as well as in the complementarity of individual endowments with factors of production.

*Organization-dominated markets*

What happens then is that organization-dominated markets develop, limiting the play of free enterprise. Indeed, in this context, any growth of exchanges destabilizes the regulatory procedures, displaces uncertainties, fosters bifurcations in the systemic dynamics, disintegrates obsolete organizations, reorganizes them, or engenders new ones.

Small owners often belong to syndicates or to formal associations which represent them in their relations with the administration : these groups are not coextensive with the "workshop communities". They are generally broader, do not play the same role, and enable the micro-enterprises to function.

Each small owner is linked with a limited number of partners, and is aware that by meeting some obligations he/she has acquired certain rights inherent in group membership ; similar relationships are developed with other partners, who may not be in contact with each other. In other words, no two individuals have the same group of special partners, and everyone may belong to several groups.

This open, non-exclusive community, with an ill-defined identity, is primarily focussed on the individual, or rather on the workshop. The group does not form an isolated organization (except perhaps on the basis of geographic and technological proximity) as long as the irregularity of ordering patterns forces owners to diversify their partners. However, if a few owners earn a great enough reputation to raise their prices, expand their market and attract a steady flow of orders, that group develops a hierarchical structure and an organization, and acquires a new identity which sets it apart. For a new, shared identity to emerge, workshops must be interdependent, but this limits the reversibility of these relations while ensuring a better reputation of a minority .

## CONCLUSION

The next step is to situate these workshop communities in the global economic context with its intersecting labour market, commodities and services and short and long-term money markets.

The supply and demand for commodities are not entirely balanced out through the market. Indeed, even before any goods reach the market, micro-enterprises first achieve a balance in relations with their domestic units (management of non-compensated costs and of financing), sub-contractors (management of technical/financial constraints) and customers (management of reputation).

Classical theories usually distinguish between economic agents as consumers (households) and as producers (enterprises). In developing countries, however, micro-enterprises are completely embedded in the domestic units : they therefore cannot be viewed as capitalistic enterprises, nor can these independent workers be assimilated to wage-earners. The informal sector, with its contrasting nature and functioning, may be seen as complementary to the formal sector, the risks and surpluses of which are absorbed by it. In this capacity, it participates fully in the economic sphere of activity, and contrary to some beliefs, it is anything but stagnant, and its innovations and adaptability yield constant proof of its dynamism, in contrast with the difficult situation of the "modern sector".

# SUPPORT FOR THE INFORMAL SECTOR AND FINANCING OF MICRO-ENTERPRISES *

The arise of a non-structured sector in the economies of sub-Saharan Africa over the last fifteen years has revealed the insufficiencies of the official sector in regard to the essential needs of a constantly growing population. The disclosure, by a myriad of studies, of how extensive it really is, proves - if need be - the ability of the informal sector to adjust to these needs and to their evolution (1).

The informal sector, which is presently the foremost employer, generates non-negligible amounts of income and is the main source of training of manpower (through apprenticeship), has developed its activities through a choice, with respect to technology : intensive use of an abundant resource (human labour). This enables it to solve the conflict between production and employment engendered by a type of industrialization based on large firms (the famous "white elephants") which are inappropriate to African economic conditions, since they devour huge amounts of a rare factor ; that is, capital.

Although the non-structured sector tends toward the growth of employment and the survival of a vast majority of the urban and rural population, and even though a great many informal micro-enterprises remain involuted and even stagnant for these reasons, it is nonetheless capable of accumulating capital and wealth, and of progressing toward a type of activities which are increasingly less confined to simple survival.

Some aspects of the informal sector, which is born of local initiatives, actually point to a possible transition to a form of development based on small and medium-sized enterprises but retaining some traditional features.

## THE DILEMMA OF INTERVENTION

For example : its capacity to absorb labour in the short run, as well as its ability to promote the rise of an entrepreneurial class should put the informal sector in the forefront in the future developmental process. Since it is the only dynamic sector in many African countries, local governments as well as international aid agencies will sooner or later be obliged to work out the most effective way of supporting this dynamism and prolonging it so that the informal sector may contribute to long-term development.

*(1) The present article is based on a dissertation entitled "petits producteurs urbains et développement de l'Afrique francophone" (small urban producers and development in French-speaking Africa) written in the framework of a diploma in Development at Paris X Nanterre, which concentrated more specifically on five French-speaking African countries : Benin, Cameroon, Mauritania, Mali and Togo. It also draws on a study conducted by the French Fund for Development.*

*** by Alexandre Saumonneau**

Both national governments and cooperative agencies are now aware of the advantages of the informal sector, and the recent deterioration of the situation in Africa has taught them some lessons. They have drawn the conclusions of their mistaken attitudes toward industrialization, and changed their approach. At this point, the issue is no longer one of how to curb a sphere of activity that has escaped State control, but of using the growth generated by this sector, and amplifying it.

The period during which the large-scale industrialization model was transposed was then followed, in the mid-1980s, by a period of vivid interest for the microeconomic sphere. The 1980s and 90s would, it was believed, be less opposed to "small is beautiful". Unfortunately, however, it is a long way from speech to action, and there was not sufficient will to act.

**Policies encouraging crafts work**

A rapid look at the considerable sums of public money spent to support craftspeople gives the general impression that efforts are terribly scattered and lack continuity. Although many African countries have set up an appreciable number of projects, their governments do not seem to have adopted any real strategies for the development of micro-enterprises.

At the institutional level, some structures for intervention have been established, under the auspices of national bureaus for the promotion of crafts work, which are offshoots of different ministries, depending on the country. The great variety of supervisory agencies, the lack of interministerial cooperation, the scattering of sectorial projects and a staff that is insufficiently trained in the problems facing micro-enterprises often account for the disappointing impact of government interventions.

As a rule, development plans remain quite vague and modest in their approach to crafts work, and do not take the extreme diversity of situations into consideration. Further, when action targeted at one sector of activity is coherent and relevant in its orientation, a flagrant gap is still seen between intentions and outcomes.

Consequently, there has hardly been any integration of micro-enterprises in sectorial policies. The official Beninese policy is quite symbolic in this regard. The 1983-87 five-year plan acknowledges the role of crafts work in the country's development (utilization of farming manpower during the off-seasons, regional development and technical backing for the industrial production sector). On this basis, government action was directed toward the organization of theoretical seminars on crafts work and the creation of a Crafts Centre, which has now been turned into a Centre for the promotion and exhibition of arts and crafts. The actual initiatives are therefore far from effective in fostering progress toward economic change.

**Lack of a strategy for cooperation**

It would be an exaggeration to speak of any strategy whatsoever with respect to support for "micro-enterprises" during the 1980s. Indeed, a strategy implies a degree of coordination of interventions, whereas nothing of the sort characterized projects of that

time. But above all, the lack of strategy was essentially due to the fact that no project financed at the time by the French Cooperation agencies (French Fund for Development and Ministry of Cooperation) - to take one example - was directly earmarked for consolidating the network of "micro-enterprises". This objective was only incidental, lost in the midst of broader-ranging projects. Furthermore, this orientation was often not so much a goal in its own right as a means of social accommodation of adjustment measures (to supply work for agents laid off from civil service), or as a tool for attenuating the periodic instability of the social fabric. The need then is to reintegrate groups of repatriates, using the small business sector, or to find an occupation for young graduates, along the same lines.

At the same time, those projects whose design is incidentally intended to provide support for the creation or extension of small businesses consistently take a "vertical, formal" approach. These terms designate the fact that such interventions are practically all an integral part of a governmental or para-governmental structure, viewed either as the main intermediary or as the more or less authoritarian supervisory agency for the decision-making authorities within the project. Such an approach starts at the top of the administrative hierarchy and filters down through a number of intermediations, to the small enterprise level.

During the 1980s, then, French Cooperation agencies, like others, in fact, made no effort to adjust their interventions to each specific network of micro-enterprises. When it did attempt to develop the informal sector, it took the same approach, and made use of the same structures as for its action aimed at the large, public African firms.

**Advantages of specific action**

Earlier policies, which attempted to affect the informal sector as a whole and all of its production units, were in fact unable to cover all aspects of this phenomenon, for lack of adequate means. They therefore were necessarily partial, in both senses of the word (incomplete and biased).

Limited, specific action, because it is experimental, is of obvious value when the objective is to support supply from the informal sector. First, the decentralized structures of the project make it easier to reach target groups directly, and to involve them more intensely. Because of their unclear guidelines, comprehensive policies, and especially those affecting credit have tended to encourage the creation of new enterprises rather than reinforcing existing ones. Often, for small owners in the informal sector, they have constituted an easy means of access to fresh cash with no real obligation to reimburse it. This has perhaps given employment figures a boost, but with the risk of exacerbating competition and saturating some markets.

Several broad rules should guide action, in our opinion. First, the idea that interventions can be universal should be rejected. Projects should be limited in scope and specific to each field situa-

tion. This is the best guarantee that they will be adapted to the multiplicity of heterogeneous informal units. This notion of non-universality should by no means exclude the eventuality of promoting several interventions inspired by a same philosophy.

Practically, what it means is that centralized structures are ineffectual. Potential beneficiaries should participate in the elaboration of the programmes and policies whenever possible, through decentralized structures unconnected with any government, when feasible, since small entrepreneurs often distrust and reject the latter.

Nonetheless, although interventions should be specific to a definite network of micro-enterprises, a strategy focussed on the twofold objective of integrating the non-structured sector in the regulated economy and of increasing this sector's ability to generate income and employment must necessarily plan for a broad reworking of both the main guidelines and of institutions.

Furthermore, every intervention should give priority to reducing bottle-necks. Financing is not the only sphere in which craftspeople want to be helped. Innumerable factors such as the transfer of technology, access to equipment, managerial problems, etc., interact and have more or less severe negative effects on performance, depending on their seriousness.

**Active intervention versus laisser-faire**

This is a major dilemma for policy-making : the informal sector seems to be much more efficient, in many respects, than the modern sector, in generating employment and income. Why, then, is action needed in a sphere of the economy that already gives entire satisfaction ?

*What attitude toward the informal sector ? Ignore it ?*

*Eliminate it ?*

African leaders have taken quite ambiguous stances on the informal sector. They tend to ignore it, hoping - or pretending to believe - that it will disappear spontaneously ; or else they attempt straight out to eliminate it, since they find it intolerable that a fraction of the urban population escapes their control.

*Support it ?*

Other countries have officially attempted to support it. The argument behind this attitude contends that this sector has great potential, and should therefore be given the same advantages as the modern sector. But in fact, behind this official stance, administrations are actually mostly intent on asserting their control. The creation of jobs is definitely a goal, but there is also the need to collect money for the constantly shrinking government budgetary revenues.

Over and beyond these political and economic considerations, and in a broader perspective, it seems obvious that intervention is a necessity, in some respects.

*Take action ?*

Frequently, international norms governing labour are not respected, all law-making aside, and apprenticeship, for instance, seems more like the exploitation of child labour. In addition, in many workshops the atmosphere is awful, often unhealthy and dangerous, and they are located in the heart of slums in which

sanitation is totally lacking. In such cases intervention becomes a vital necessity and a moral obligation.

*Putting competitors on a same level*

Furthermore, the intervention may turn out to be economically necessary, to put competitors on a same level and eliminate discriminatory measures. The fact that many workshops are not registered may give them an unfair competitive advantage over modern businesses producing goods similar to those coming out of the informal sector. Since apprenticeship and family labour cannot be regulated by law, informal units often benefit from unpaid manpower, which enables them to sell at a much lower price than the modern sector which is subjected to a number of legal obligations (and most importantly, to minimum wages and the need to pay taxes).

On the other hand, however, micro-enterprises are often the object of discriminatory measures. They are sometimes harassed by tax collectors, whereas some "white elephants" (which, to continue the animal metaphor, are more like lame ducks) continue to receive generous gifts from the government, for no good reason. Such practices may take a number of forms, but they always disadvantage businesses with a heavy manpower coefficient. They include tax reductions and preferential tariffs, or other direct and indirect subsidies to the large public firms.

*Intervention is a necessity*

For all of these reasons, and for many others as well, intervention is a necessity, not only to establish a balance between the modern and informal sectors, but also so that the latter may participate fully in local development. This need for active intervention soon comes up against a dilemma, however. On the one hand, there is an urgent need to facilitate the integration of the non-structured sector in the national economy, and therefore to gradually extend the application of regulatory measures, and on the other hand, care must be taken to avoid any negative effects of this "formalization" on the ability of this sector to generate income and to absorb manpower.

Each intervention should therefore begin with an attempt at a sort of cost/benefits analysis of legalization. Actually, the crucial underlying question is whether the advantages derived by the informal sector from the fact that it is not registered are adequate compensation for the disadvantages connected with its exclusion from the benefits granted to the modern sector.

Intervention is also necessary to circumvent the many obstacles encountered by most micro-enterprises. Only the most dynamic minority, with the greatest technical capital, is in a position to compete with the official sector in terms of the quality of goods and services offered ; it only shows some of the features of a business-type logic and is susceptible of forming the embryo of a future network of small and medium-sized enterprises (SME). In certain French-speaking African countries, it has been noticed that as their technical capital increases, entrepreneurs gradually cease to have a speculative attitude, through the diversification of their acti-

vities, but instead, they adopt a strategy of vertical integration and attempt to make their productive outfit cost-efficient, which in turn modifies their management of manpower, progressively changing it into "wage-earners".

The development of most informal units actually seems to be blocked by their structural characteristics (see the article by Guy Pourcet) (confusion between production unit and household unit, speculative behaviour, with diversification of activities, etc.), but also because of a lack of access to equipment and raw material, a low level of training and instruction, and also the insufficient availability of permanent facilities.

Insufficient finances are also a hardship from which small craftspeople suffer : they have no money, no equipment and no raw materials, and so they stagnate, producing small amounts of goods, the quality of which is mediocre. For this reason, the financing of micro-enterprises should be one key focus for interventions. It is one of the most complex instruments for action.

## FINANCING

Practically all owners in the informal sector finance the initial investments for getting an activity started essentially out of their own personal savings, and secondarily with the help of their family.

Protagonists in the non-structured sector therefore seem to be totally cut off (both economically and culturally) from the banking system. Indeed, personal savings mostly come from informal financing systems of the tontine or money-lending type, which are more flexible, better controlled by people who are underqualified and therefore not integrated in the banking system, and above all, completely anchored in African and other cultural traditions.

There have been too many definitive pronouncements made on the financing of small and micro-enterprises. The complacent admirers of the informal sector and systematic opponents of the official banking system - since informal units never resort to bank financing - contend that any participation of banks in the development of the non-structured sector would be inefficient. Parallel or alternative financing networks such as tontines, joint credit and mutual credit are alleged, then, to be more apt to play a role in financing.

Conversely, the all-out supporters of the entrepreneurial logic are sure that banks are essential intermediaries, without which there is no way for national networks of SME to emerge out of the informal sector. Any business that is incapable of adjusting to banking mechanisms is also unable to evolve into an SME, in this reasoning.

Neither of these two postulates is entirely false or entirely true. Actually, two types of situations should be distinguished in any attempt to clarify this issue.

### QUASI-BANKABLE MICRO-ENTERPRISES

Quasi-bankable micro-enterprises are the main intermediaries in projects such as those implemented by the French Fund for Development (CFD), the main goal of which is not so much the development of the informal sector as its rapid conversion to an entrepreneurial logic. The immediate objective is the creation of a

dense network of SME, and also, the encouragement of the most productive micro-enterprises so that they may develop into small modern enterprises.

This means that still-informal units must rapidly opt for financing by a bank. Even if a will to move swiftly toward SME status did exist, a transitional period would be required, during which banks and micro-enterprises would have to attempt to adjust to one another. Banks would have to soften some of their rules, and experiment with some instruments designed to overcome their reluctance to advance small sums on credit to employers in the informal sector, whereas the latter would learn to respect their commitments.

## Reluctance and weaknesses of the banking system

The fragility of the banking system, the inadequacy of traditional banking intermediation and obstacles set by banks are some of the causes of the banking system's reluctance and of its weaknesses. This is not the place for a detailed analysis of the reasons behind the crisis. We will simply mention the two major ills from which African financial systems have suffered in the past, and continue to suffer : insolvency and illiquidity. Governments have a non-negligible share of responsibility in this state of affairs. For the most part, they were intent on channelling resources toward what were considered top priority activities, capable of acting as the spearhead of often inappropriate development, instead of attempting to lay the grounds for a sound financial system. Ethnic or political patronage systems often led governments to pressure banking organisms to extend loans to borrowers whose ability to reimburse them was clearly dubious.

*Fragility and crisis in banking system*

Many sub-Saharan African banking systems are therefore undergoing complete reorganization, especially since the generalization of structural adjustment programmes. In some cases, they are even practically extinct or non-existent. The present economic crisis further compromises the chances of their revival, by draining the business market of its vigour, and increasing the vulnerability of financial commitments.

In this doubt-ridden time of upheavals, there is nothing unusual in the fact that some commercial banks, concerned with keeping their finances sound, attempt to "minimize risk to the maximum", are loath to extend funds for long periods of time and turn their backs to new sectors of activity. At the same time, small informal units, the creation and/or development of which require small loans, represent an at-risk category, since little is known about them.

*Traditional banking intermediation is inappropriate*

The main obstacle encountered by small enterprises in obtaining access to credit is the type of guarantees required by banks. The latter usually demand mortgageable securities, which entrepreneurs are totally unable to produce, since they do not have any permanent plant.

Furthermore, the genuine securities that small owners are sometimes capable of offering are insufficient for bankers. For instance,

in the case of small firms working in quite uncapitalistic sectors or using obsolete machines, banks cannot accept their equipment as security, since the chances of resale if the borrower defaults are insufficient.

In addition, procedures for recovering the sums loaned are frequently slow and/or totally ineffective, because the judicial and administrative authorities do not cooperate, in the absence of a specific legislative framework.

Another problem is the fact that entrepreneurs who apply for small loans often have limited managerial skills, so that banks know that they will have a high defaulting level for small loans. The pursuit of profit, which is inherent in the finality of commercial banks, is therefore hardly compatible with the risks involved in the creation and development of small enterprises.

It should also be pointed out, as mentioned above, that banks lack experience in analysing, evaluating and monitoring small and "micro" enterprises. When procedures and monitoring mechanisms have been worked out for other types of credits, their transposition to small loans generates expenditures for implementation and application-processing which are quite disproportionate to the extremely limited sums involved.

Last, a word should be said about the procedures for processing applications and granting credits, which often represent a real ordeal for small entrepreneurs. The administrative formalities to be filled out when applying for financing may be quite dissuasive for candidates, many of whom have not received enough schooling to enable them to understand and complete these applications. Furthermore, between the making of the application, its acceptance and the releasing of funds, the lapse of time is often too long, and prevents the enterprise from functioning correctly. In addition, there is also the fragmenting of credits, when allocated (often over several years), which exhausts, and sometimes condemns, enterprises that are just getting off the ground.

**Ways of getting around bank obstacles**

Does this mean that banks can never be an effective partner in policies supporting small and micro-enterprises ? The answer is no, since banking relays should always be used when feasible. Not only is it true that small enterprises cannot develop in opposition to and outside of the banking system, but in addition, banking intermediation has a number of advantages : it is the best way for small entrepreneurs who no longer want to be marginal to gain integration in the market economy, and is also a means of learning some notions of management.

Whence the importance of designing some instruments serving as incentive, so that banks will increase their commitments for small loans. Some of these (such as exoneration from the charges involved in opening an account or management premiums for each account opened) are relatively easy to implement, and are already operational in a few projects. Conversely, other measures such as

Guarantee Funds, also implemented by the CFD, must meet certain requirements to avoid their misuse.

*Guarantee Fund*

The Guarantee Fund is one of the most widespread solutions for partially overcoming bank reluctance. Its purpose is to provide compensation to banks in case of borrower defaulting, and it somewhat soothes their hesitations, caused by the greater risk that reimbursement of credits for small sums will remain outstanding.

However, Guarantee Funds are too often transformed into "pillows for the lazy". If they ensure total payment of outstanding debts, banks will be so reassured that they will no longer apply the costly recovery rules, since they are sure to recuperate all of their investments in any case. At worst, it would no longer be important for banks to monitor the proper functioning of the enterprises they finance - the normal thing to do, to ensure reimbursement.

*Conditions governing bank involvement*

These pitfalls may be avoided by the application of a number of rules, to achieve actual bank involvement including both financing, follow-up and recovery, so that the Guarantee Fund does not become a palliative for late payment.

First, a good compromise must be found for the percentage of coverage of outstanding debts : 50 to 60 % seems to be an acceptable range. This level is an incitement for banks, and at the same time it does not overly alleviate their share of the risk.

Next, the rules governing the fund must be known to all, and especially to entrepreneurs.

Last, any such fund should represent a last resort. It should only be brought into play once every normal possibility for reimbursement has been attempted, and every security in the bank's possession has been realized.

*Making banking laws more flexible*

The draughting of efficient recovery instruments is the sine qua non condition for the lasting success of any strategy backing small and micro-enterprises voluntarily situated within the institutional system. Given the inability of banks to achieve this, the rehabilitation of such strategies necessarily involves passing more flexible banking laws pertaining to credit to small entrepreneurs.

The simplification of bank procedures is based on the idea that traditional recovery instruments are inadequate to actual socioeconomic practices. Although, admittedly, the virtues of social pressure should not be exaggerated, the inclusion in banking mechanisms of procedures making use of it may be helpful for recovery.

Some CFD projects, for instance, introduced recovery mechanisms that were innovative for their time. Two types of procedures based on local social phenomena may be mentioned : the moral guarantee of a "sponsor" and mutual guarantees.

*Sponsorship*

Sponsorship means that each borrower asks an elder, a village leader or a religious authority to serve as guarantor for a loan. This

is a purely moral engagement. It is put into writing, and has no financial consequences for the "sponsor" who engages his responsibility. The social responsibility, on the other hand, is considerable.

*Mutual guarantees*

Another solution, the mutual guarantee, is based on the tontine principle. Each borrower musters 5 or 6 individuals who all (preferably) need credit to finance some income-generating project. Each person in the group pays a contribution, and a "mutual guarantee society" is thus created. The sum of the contributions is then put in the bank, in a frozen account. The money from this mutual guarantee society will immediately be used if any of the members who borrowed money for a project is unable to pay his/her debts. The members of the group are thus inclined to put pressure on the debtor, particularly since they themselves will be refused access to credit if any debts remain outstanding.

*Adjustment of settlement dates to cycles of activity*

This increased flexibility mostly applies to credit for rural activities, where the farming calendar is far from coinciding with the rhythm of loan reimbursement. How can a farmer be asked to reimburse a loan on a monthly basis when his seed will only generate income six months after sowing ?

This example shows the need for and the effectiveness of flexibility of dates for settlement, so as to improve the chances of reimbursement. Clearly, however, this can only be implemented if monitoring and close contact with borrowers are set up simultaneously.

## FINANCING OF "NON-BANKABLE" MICRO-ENTERPRISES

For this type of micro-enterprises, and, actually, for many others, the main problem is not necessarily access to outside financing (the objective being simple survival), since the domestic unit gives them access to tontines or money-lenders for the money they need.

Furthermore, when this type of economic unit needs to progress, it is not the established banking system, but new grass-roots funding systems, that are required for financing in the immediate. Because the latter are extremely decentralized they are more apt to foster productive initiatives, to collect savings and to set up a reliable system for the distribution of credit. Furthermore, they constitute an intermediate phase, prior to possible bank financing, during which the entrepreneur will learn about credit mechanisms and develop his/her business, thus collecting the guarantees required for the presentation of an application for a bank loan.

The statement of this principle brings up another dilemma : there are actually two types of decentralized savings and loan systems, functioning on the basis of two distinctly different logics (savings first or credit first). Any project for promoting the informal sector will be obliged to choose between the two.

### Mutual aid savings and loan systems

This savings and loan system is based on mutual aid. Members, who all know each other personally, put their money in a local pool ; the main purpose of mutual aid systems is to collect savings, and to develop a simple, comprehensible credit mechanism using

these. The network of local pools is managed at the regional level by regional funds, and a national federation centralizes management of the entire network.

*Savings and credit are closely linked*

A number of points are supposed to make the mutual aid idea particularly advantageous. The first point is the close link between savings and credit. This "save first" logic is based on one social-psychological feature characteristic of the mobilization of African savings : loans consented by tontines or traditional money-lending systems are reimbursed more reliably than those extended by the institutional systems. This finding is behind the famous distinction between "cold" money, which comes from anonymous entities outside of the community (the government, banks, sponsors, NGO, etc.) and "warm" money, coming from within the community. The moral and social obligation to reimburse only applies to the latter. Whence the rule that grass roots intermediation systems can only extend credit on the basis of previous savings - that is, of "warm" money.

*Local rootedness*

The fact that mutual aid funds have local roots is also viewed as an advantage, since this is the best way for them to bring out "warm money", or to "warm up cold money". These pools, partially run by the members, are in a better position to bring social pressure to bear within each village.

*Independence*

One last point is that mutual aid networks are, to a large extent, independent of the government, which is often quite unfamiliar with this type of organization.

**Joint credit**

The other logic is the one behind joint credit, patterned after the "Grameen Bank". The main disadvantage of savings and loan systems based on prior savings is that the economic impact is necessarily limited. For statutory reasons, certain prudential rules (credit cannot be in excess of a given percentage of savings, credit entirely covered by savings), prevent the impact from being up to par with the savings collected, as a result of which the vast majority of mutual aid networks suffer from a structural excess of liquid assets. Furthermore, the least affluent fringe of the informal sector is often excluded from mutualist systems, since these disadvantaged craftspeople are unable to put enough money aside.

The development of grassroots financial intermediation systems in which credit is not tied to prior savings is a worthwhile venture, then. The hierarchy of priorities is reversed in this case, since savings collection becomes less important than the promotion of small loans. However, savings collection still remains essential, owing to the need to secure guarantees for loans, and to balance out the network as a whole.

*Priority for the disadvantaged*

These systems, largely patterned after the "Grameen Bank" of Bangladesh, are directed above all at those disadvantaged groups whose savings capacity is too deficient to constitute security for a credit. The key idea is that they may be given credit even when no savings or traditional guarantee is available. The fact of having

savings does not give automatic access to credit, whereas the quality of the activities financed is far more decisive.

*Local integration*

The strength of these systems also resides in their integration in the local situation, their direct management by rural people themselves, and their ability to innovate and to adapt to the activities financed. For instance, reimbursement schedules vary, and payment may be monthly, weekly or even twice-monthly.

All of the financing systems briefly described above are now being widely experimented within international cooperation agencies. It may even be stated that in most of the projects supporting the informal sector and financed by these agencies, this type of instrument is definitely far beyond the simple experimentation phase.

Evaluation of the socioeconomic impact of these various schemes inevitably comes up against the weaknesses of the national statistics collection systems. Indeed, these operations are implanted regionally, so that any serious quantitative evaluation would require a comparison of the results of these networks with a number of regional economic determinants (monetary mass, active population, growth of regional activity, etc.), for most of which figures are often nonexistent.

However, even if the impact is still marginal in terms of savings collected, credit distributed, businesses - and consequently employment - created or developed, there is now clearly a change in the vision of how micro-enterprises should be financed. Few projects aimed at supporting African micro-enterprises still envision financing them through conventional banking channels. The adjustment of modes of financing to socioeconomic behavioural patterns as well as to the types of micro-enterprises one intends to encourage constitutes and should indeed constitute a major concern for action aimed at supporting the non-structured sector. This explains why the discovery and application of alternative financing systems, or an effort at arranging bank rules is required.

In conclusion, it should be pointed out - as was mentioned briefly in the body of this article - that insufficient financial resources is not the only obstacle encountered by small entrepreneurs in the informal sector. Any action focussing on financing informal units with a view to developing micro-enterprises can only be successful if it is a part of an overall project attempting to eradicate the main barriers that prevent the development of numerous enterprises. These are : access to raw materials, availability of productive equipment, training, proficiency and permanent facilities.

# INNOVATION AND MICRO-ENTERPRISES - RECOMMENDATIONS FOR SUPPORT*

The vast majority of enterprises in developing countries subsist in a particularly difficult economic context. In recent years, the implementation of policies based on the free-market economy theory, taking the form of structural adjustment measures, has favoured competition from more productive foreign firms, which are also in a better position to cope with the crisis. Another outcome is the reduction of government backing for certain sectors of the economy, and smaller credit envelopes, hence less access to financing. Last, through a number of mechanisms, it reduces the purchasing power of the population at large, with the consequent decrease in the consumption of commodities and services, and a reallocation of resources in accordance with priorities.

Enterprises differ enormously in their ability to adjust to these conjunctural difficulties and uncertainties. For instance, the formal sector, sometimes called the "modern" sector, reacts more or less well depending on the size, field of activity and dynamism of the firm. However, many enterprises are unable to deal with the crisis, and their collapse further increases the number of unemployed, decreases household incomes, etc.

The informal sector, on the other hand, seems to be more resilient, and to develop more consistently. The micro-enterprises that form this sector offer employment opportunities, despite the crisis, and therefore afford earnings for many families. They also offer goods and services at often moderate prices, sometimes even below what it would have cost the family to produce them itself. Some studies have actually shown that in certain disadvantaged urban contexts, it is less expensive to purchase ready-to-eat food than to cook it at home (1).

This sector of the economy has been neglected, if not ignored, until now, as shown by many writers (see the articles by Elisabeth Lopez, José Muchnik and Guy Pourcet). It has also been pointed out that the few experiments in providing support for micro-enterprises, often focussed on financing them, have not always met with the success that was expected.

Over and beyond the financial difficulties, which are often real but occasionally overestimated, micro-enterprises are faced with a number of constraints and limitations of other types : management, technical choices, knowledge of markets, etc.

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*(1) Akindes F. Restauration populaire et sécurité alimentaire à Abidjan. In : Cahier des Sciences Humaines, 1991 ; 27 ; (1/2) : 169-179.*

The object of this chapter is to present the principles and guidelines of feasible action in this field. Before going into this, we will briefly outline certain features peculiar to their structure and functioning, and review the main weaknesses and limits of micro-enterprises. This overall picture will help to define the principles on which to base more effective support for enterprises, along with possible themes and types of action.

## CHARACTERISTICS OF MICRO-ENTERPRISES

This sector is extremely heterogeneous : it includes micro-enterprises that differ enormously in size, field of activity, structure and functioning and the context in which they operate. However, an analysis of their objectives and rationale, through numerous case studies (see articles by Pourcet G. and Lopez E., Muchnik J.) points to some shared features.

Who are the micro-entrepreneurs ? They are generally men, but in some activities there is also a large proportion of women. Most come from a disadvantaged background, and have a low level of formal instruction. Their itinerary may be extremely eventful, with alternating phases of activity and reflux, changes of type of activity, moves, etc. (2). Sufficient familiarity with the social and economic profile of micro-entrepreneurs is a necessary prerequisite for any action.

### OBJECTIVES AND RATIONALE

Although the first objective motivating the creation of a micro-enterprise is, in most cases, the pursuit of a source of income, there is also a need for social recognition. Loss of a wage-earning job, a death or a departure within the family, or a drop in purchasing power experienced by a wage-earner contributing to the household budget are frequent determinants in the creation of a micro-enterprise. Young people and women often mention their need for greater independence as their motivation.

The main objective, then, is usually the creation of employment within the family, and this may take the form of the best possible use of the most abundant factor of production ; that is, manpower.

Broadly speaking, the rationale of micro-entrepreneurs consists of :

- maximizing the use of abundant factors of production (that is, their optimal exploitation) ;

- minimizing risks ;

- minimizing the capital invested and fixed assets ;

- making the most of social relations.

It is easy to understand, then, that their prospects for development, in the capitalist sense of the term, are quite limited, since the objective of achieving the best productivity for the capital invested is not sought by the vast majority of these micro-enterprises.

*(2) Muamba N. Synthèses de récits de vie de petits entrepreneurs In : Economie populaire et phénomènes informels au 2aïre et en Afrique. Editor, Gauthier de Villers. Brussels : CEDAF-ASDOC, 1992 (Les cahiers du CEDAF-ASDOC, n°3-4), pp. 109-136.*

## ASSETS AND WEAKNESSES

While certain supportive projects for micro-enterprises have taken their weaknesses into consideration, very few have attempted to identify their assets and put them to work. For this reason, the proposed action has resulted in the elimination of these assets, thus increasing the fragility of micro-enterprises rather than strengthening them.

### Great adaptability

A number of structural characteristics of micro-enterprises account for their ability to adapt to changes and fluctuations in the context in which they operate. First of all, micro-entrepreneurs make use of family manpower, the opportunity cost (3) of which is very low, as well as of employees recruited within the network of their social relations and paid very little.

To an outsider, this type of social relations may seem to be pure and simple exploitation of manpower ; in fact, it is a part of traditional relationships in which there is a degree of reciprocity between interests.

Fixed assets are minimal : the buildings used for production, storage or sale are generally the family's living place, built by the family itself using traditional techniques and materials, and easily convertible for other uses. The stocks of raw material and of finished products are kept to a minimum, to avoid immobilizing too much cash. Last, whenever feasible, micro-entrepreneurs use inexpensive raw materials : farming produce coming from the farms of relatives or allies, recycled material (glass bottles, plastic bags from packaging, used tyres for soles of shoes, empty tins for miniature cars and other toys, etc.).

This type of organization has many assets :

- low risk, because of the low level of fixed assets ;

- relative control over supply, which is very local ;

- reversibility of fixed assets, which may easily be redirected to other activities ;

- relatively low production costs, making it possible to satisfy consumers with reduced purchasing power.

These structural characteristics contribute to highly flexible functioning. Micro-enterprises adapt to upstream and downstream conditions : they produce in response to demand, and adjust their activity to whatever manpower is available and to the possibilities of obtaining raw materials.

For this reason, a micro-enterprise may cease to function if better-paid seasonal employment is offered (coffee-harvesting, for

*(3) The opportunity cost of a resource corresponds to the income it would generate in the most productive of all possible alternatives. For instance, if a person must give up a small trade that brings in 300 F a day to devote his/her time to a job that only pays 100 F/day, the opportunity cost of that person's work is 300 F/day.*

instance), when customs problems arise, making some imported raw material too costly, or else when consumer demand declines (seasonal nature of some purchases, lack of income at certain times of year).

**Weaknesses**

This flexibility is conducive to a degree of adaptability to new demands. However, micro-enterprises do not necessarily have the means to detect new markets.

*Little knowledge about markets*

One weakness of micro-enterprises, then, is their very fragmented knowledge about markets. The type of social environment frequented by micro-entrepreneurs and in which their networks are established usually only gives them access to ordinary people. Shoemakers, for instance, tend to make shoes to fit the tastes of customers from a same group. The lack of information on demand, and especially on what more affluent customers look for, as well as on market mechanisms is therefore often a limiting factor for micro-entrepreneurs.

*Limited skills*

In most cases, micro-entrepreneurs have learned their skills from a relative or a neighbour. This "on-the-site" training may afford excellent technical proficiency, enabling individuals to adjust their production and functioning to the constraints and possibilities, as perceived by them. This skill has some limits, however. First, it does not necessarily lend itself to adjustment to new situations which are not perceived by the micro-entrepreneur. In countries which experienced suddenly soaring inflation, for instance, many workshops were unable to adjust their management policies : since they did not realign their sales prices quickly enough, their business was rapidly decapitalized. Further, the limited character of this skill does not offer a perception of promising new niches, or of opportunities for diversification. Another weakness of micro-enterprises is connected with their technical options. Indeed, the techniques, material and equipment available locally offer a small range of choice : they are not necessarily appropriate for the type of production involved, they are sometimes oversized and are quite dependent on supply and delivery circuits, over which the micro-enterprise has little control. For example : a peasant who attempts to make panela (cottage-industry-made sugar cane) from his own cane sugar in a country with no cane mill manufacturers is obliged to purchase his equipment from a second-hand equipment circuit in a neighbouring country, with an extremely limited choice as to production capacity, quality of equipment and processes. The fact that machines are often oversized tends to be solved by sub-contracting, since owners prefer to rent out the services of their machines rather than allow them to function below capacity (see article by Pourcet G.).

*Restricted technical options*

*Low level of investments*

The low level of investments generally consented by micro-entrepreneurs is both a strategic means of limiting risks, and a consequence of the small amounts of capital owned by them personally. This limitation of investments sometimes actually becomes an additional risk factor. By reducing stocks to a minimum, the enterprise exposes itself to the hazards of

fluctuating supply and demand. The fact that micro-entrepreneurs do not possess as much fixed assets as they should makes them more vulnerable to the instability of the market.

*Poor quality and unattractiveness*

Last, defective quality and lack of attractiveness of goods is a weakness frequently encountered in micro-enterprises. Sometimes these defects are purely imaginary, the outcome of campaigns by the authorities to eliminate them. Street food vendors, for instance, have often been discredited by campaigns publicizing the alleged lack of cleanliness of the food they sell.

However, quality and attractiveness are often real problems : faulty raw materials, variations in production, inadequate or insufficiently attractive packaging and labelling are encountered frequently.

Micro-enterprises have some great assets, then, as seen above. These are mainly their flexibility and ability to adapt to change ; they also have some weaknesses, which hinder their stability and development.

Any supportive strategy for micro-enterprises must therefore be based both on correcting the weak points and maintaining their flexibility.

## INNOVATION IN MICRO-ENTERPRISES

In many cases, the dynamism and innovative spirit of micro-entrepreneurs are proof that even without any organized outside support they have inherent ability to cope with the difficulties encountered.

As G. de Villers (4) puts it, "like home repairs, the informal sector embodies the art of inventing a solution to a problem using the materials, tools, social relations and cultural norms one has on hand. The solution is generally effective, but usually fragile and temporary".

This capacity for response is therefore essentially conditioned by the material and human material available, through which the micro-entrepreneur may identify the problem and the possible solutions.

### SPONTANEOUS INNOVATION

*Limited redeployment*

Inasmuch as the fixed assets of a micro-enterprise are small and easy to convert into liquid, and the owner has the minimal capacity required to launch another activity, he/she may adopt the strategy of going into another line of business when faced with a problem for which no solution is immediately visible. A tailor may turn to selling second-hand clothing, purchased wholesale, the woman who sells videocassettes will open a video game parlour, etc. However, this ease in redeployment is mostly applicable to activi-

*(4) De Villers G. Petite économie marchande et phénomènes informels en Afrique. In : Economie populaire et phénomènes informels au Zaire et en Afrique. Editor : Gauthier de Villers. Brussels : CEDAF-ASDOC, 1992 (Les cahiers du CEDAF-ASDOC, n° 3-4), pp. 1-15.*

ties requiring limited skills, "vocations" and material fixed assets. The term "vocation" is used here in the sense of an attraction to and particular gift for a given occupation.

Innovations in terms of products are apparently quite infrequent. The extremely patchy knowledge of markets has already been mentioned, and micro-entrepreneurs therefore have difficulties in identifying potential markets for a new product. Their limited references lead them to concentrate on products that are already commonly found in certain market segments.

*Adaptation to inflation*

Small owners encounter several difficulties with respect to the financial management of their enterprise (5). Working capital, which is the fraction of the capital (raw materials, manpower) that disappears in a production cycle, the rotation of which is very rapid in this sector, may be affected quickly by widespread rises in sales price. However, micro-enterprises apparently adjust quite well to inflation. The main innovation that comes to play then is the establishment of a mechanism by which sales prices are raised preventively to counter a trend - real or suspected - in certain parameters (value of the local money on the black market for foreign currency, price of fuel). The circulating capital may also be drastically reduced whenever the activity is affected by a shortage of supplies, a sudden drop in demand, an illness, a machine out of order, etc. In this case, the immediate, day-to-day needs to be faced precipitate the decapitalization process. Micro-entrepreneurs generally do not dispose of considerable means of coping with such difficulties, and few innovations are seen in this area.

Maintenance of fixed assets is a problem of another order for micro-enterprises. For one thing, it involves that funds be set aside from revenues, so that tools and equipment may be replenished when necessary. When it is feasible for a micro-entrepreneur to put this money aside, he/she must then protect it against both the devaluation of the currency and the pressures of family and social solidarity. Recourse to a money-holder, or participation in a tontine are ways of sheltering their earnings from this pressure. Investment of their provisions in a side activity, in the form of easily recoverable working capital, is an innovative way of combating monetary erosion, although it constitutes a risk as well.

The strategies employed may be quite effective in limiting the risks, but are usually incapable of securing sufficient accumulation of capital so that the income level will be kept stable, or even improved.

*Innovation in internal organization*

It is the organizational abilities of micro-enterprises that are particularly innovative, then. However, the modifications introduced are often scattered and discrete, and are therefore little known

*(5) Leclercq H. L'économie populaire informelle de Kinshasa : approche macro-économique. In : Economie populaire et phénomènes informels au Zaire et en Afrique. Editor : Gauthier de Villers. Brussels : CEDAF-ASDOC, 1992 (Les cahiers du CEDAF-ASDOC, n° 3-4), pp. 139-160.*

and underestimated. The rearrangement of factors of production seems to be the most frequent innovation in the internal organization of micro-enterprises. To counter the competition of imported commodities, for instance, micro-entrepreneurs will attempt to reduce their use of costly raw materials, or replace them by others, or will replace use of a rented machine by family labour, etc.

This internal rearrangement constitutes only a limited, fragile response to the difficulties encountered, in that it modifies neither the nature nor the dimensions of the factors involved.

Integration in new networks, the pursuit of relations with institutional actors, the strengthening of patronage-type relations with economic agents upstream and downstream of their own activity are the means available to micro-entrepreneurs for improving their control of the situation. These strategies are limited by the social, ethnic, geographic and other limits to the scope of the micro-entrepreneur's knowledge and comprehension, however.

Micro-enterprises do have an inherent ability to respond, then, and this should be more systematically investigated. It is nonetheless insufficient, since micro-entrepreneurs do not always have the means and possibilities either to diagnose the problems encountered accurately, or to uncover adequate solutions and the means of implementing them.

There are therefore sound arguments behind outside support for micro-enterprises. In recent years many programmes have in fact been developed with this as an explicit goal. Their results are not all black and white. A rapid, non-exhaustive review of these interventions should point to some proposals.

## SUPPORTIVE PROGRAMMES - ELEMENTS OF EVALUATION

As we have seen, interest in the micro-enterprise sector is quite recent, and programmes seem to have concentrated on the creation of new micro-enterprises. There may be several explanations for this trend. First, the implicit objective of many projects is to give micro-enterprises a legal status and a more modern image. In this optic, it is much easier to engender new units from naught, in accordance with one's ideas, than to modify existing units on which projects have no hold. The functioning of micro-enterprises is complex and difficult to grasp, and the social characteristics of their owners make them undocile people, with whom it is not easy to communicate. In addition, the finality of these programmes is twofold, if not to say ambiguous : they aim essentially at creating employment for laid-off ex-civil servants, the many unemployed individuals in the private sector, and young graduates. Priority is therefore given to immediate social compensation for the various economic (structural adjustment) policies. This is the case, for instance, of the project for reconverting Guinean civil servants, launched in 1986 with the support of French cooperation agencies, and the outcome of which was an 80 % failure (see article by Alexandre Saumonneau).

For this reason, there is by no means any insurance that these activities will be consolidated and will last. The same trends are

often seen in programmes aimed at promoting existing micro-enterprises. The desire to legalize them, and fashion them in the image of the classical "rational" model of economic development prevails, both because of a partial, warped vision of the difficulties and potential of micro-enterprises, and because the implicit, unspoken goal is the facilitation of government control and fiscalization (6).

The translation of these objectives and of this vision of development into programme form is visible in the type of action and the way the intervention is conducted.

**Formalization as a goal**

A great many programmes aim at eliminating some of the informal nature of enterprises. In fact, as A. Saumonneau has pointed out, this formalization is practically incompatible with the specific rationality of informal activities. At any rate, prior evaluation of the costs and benefits should determine whether such action is justified. Access to social recognition through professional cards, for instance, has been found to be highly positive in certain cases, as in the project conducted in Kigali (Ruanda) under the auspices of the ILB (International Labour Bureau). On the other hand, the unending bureaucratic procedures and the weight of the resulting direct and indirect taxes and the cost of permits may constitute intolerable obstacles.

**Types of management**

One often-mentioned cause of failure is the promotion of managerial methods and techniques copied from capitalist micro-enterprises. The fact that micro-entrepreneurs lack training in management and accounting is not the only problem involved. Indeed, these tools have been developed within a capitalist logic, and may hardly be transposed to an informal business. How can the complex ways in which family manpower is "paid" (by little gifts, housing, various obligations) be integrated in production costs ? How can the rate of profit be calculated ? Last, how can the accounting and financial information thus accrued be turned into instruments which micro-entrepreneurs can actually put to use for analysis ?

**Need for financing**

Most of the projects have focussed on financial support for micro-enterprises. This subject has already been discussed by A. Saumonneau. However, several key points may be recalled.

Most micro-enterprises cope with day-to-day financial problems (need for cash, small investments) by drawing on the personal resources of the owners, or their family, or turning to tontines, money-lenders, etc. They also frequently obtain credit from their suppliers, and limit their need for cash by only paying their supplies once they have sold their products.

It is when they want to develop an activity requiring an increase in revolving funds or the adoption of an innovation for which some

*(6) Latouche S. La tentation du développement et la normalisation de l'informel. In : Economie populaire et phénomènes informels au Zaïre et en Afrique. Editor : Gauthier de Villers. Brussels : CEDAF-ASDOC, 1992 (Les cahiers du CEDAF-ASDOC, n° 3-4), pp. 241-248.*

investments are needed that micro-entrepreneurs often experience difficulties in finding financing. Quite frequently, the sums necessary as well as the terms of reimbursement (the periodicity and the amount) and the type of expense financed (the security behind it) are not within banking norms, and place institutional credit out of the reach of micro-entrepreneurs.

Certain programmes have attempted to advance appropriate solutions such as joint credit and savings and loan cooperatives : these have encountered considerable success (7).

With the development of free-market -type policies, privatization and restructuring, and its consequences in terms of underemployment, a more comprehensive approach of the credit-counselling type (8) has been implemented. However, it is generally directed toward the creation of micro-enterprises and the detection of potential entrepreneurs. Its long-term success is tied to the institutionalization of credit and counselling services to make sure they will be lasting ventures.

**Technical support is often inappropriate**

Sometimes the reasons behind the failure of certain projects may be understood by hindsight. They are often connected with a choice of commodities or of technologies based on a lack of understanding of the problems and the rationale of the technical side of the existing system.

One frequently encountered pitfall is the proposal of inappropriate technological options, with solutions often oversized or that workers in micro-enterprises have difficulty in mastering. Whereas these have often obliged micro-entrepreneurs to engage in considerable investments, their poor or insufficient use only makes the end products more costly to produce and less competitive. Their lack of coherence with the existing technical system occasionally requires reorganization of work in a sense that is incompatible with the constraints involved in functioning and personnel management. The technical tool then becomes an additional constraint for micro-enterprises, but one whose poor cost/benefit ratio will only be acknowledged by the owner if it was acquired under advantageous financial conditions (subsidies, low-interest credit).

**Choice of products**

Certain projects have been designed following an excessively rapid and occasionally ethnocentric diagnosis of demand, leading business to offer "modern" goods that are definitely popular in industrialized countries (such as jellies), but are only consumed locally by an extremely small fringe of the population with a high purchasing power and a Western-type way of life. These proposals neglected the fact that this market segment is both narrow and scattered, and that it demands a degree of quality and attractive-

*(7) Gerbouin P. Une banque de crédit paysanne à San Dionisio au Nicaragua. In : Les cahiers de la recherche-développement. Montpellier : CIRAD-SAR, décembre 1993 ; (35).*
*(8) Gentil D, Fournier Y. Les paysans peuvent-ils devenir banquiers ? Paris : Syros alternatives, 1993.*

ness that greatly exceeds popular local norms. Since they did not consider the often more attractive and not much more expensive imported goods with which local products would be in competition, they were doomed to failure.

Conversely, the categoric exclusion of micro-enterprises from any prospect of access to some modern or formal aspects may also end in failure. Small rice-polishing shops are no less obliged to be cost-efficient, and may finally acquire an oversized hulling machine, even if the investment must be amortized partially by renting the machine out for coffee hulling. Support for traditional shoemakers making leather shoes will have greater chances of success if they are encouraged to make "better" shoes for tourists and affluent customers rather than ordinary shoes, for which they are in no position to compete with the plastic sandal factories of South-East Asia.

Great caution, and a nuanced view are required, given the diversity of activities, of the contexts in which they are conducted and of the profiles of micro-entrepreneurs.

**Need for training**

One frequently mentioned difficulty is the lack of technical proficiency. When training is planned as an auxiliary to the implementation of a new production or management technique, the results are not always as good as expected. Sometimes participation of micro-entrepreneurs or of the workers involved is poor, and this lack of motivation simply reveals the fact that the true problem does not reside in their abilities or technical proficiency. The content, and even more, the methods used for training are not necessarily appropriate : the diversity and complexity of the needs of the different participants can hardly be taken into account in these formally organized sessions. A counselling service for subsequent individualized follow-up of participants may be quite efficient, but is rarely implemented.

**Inappropriate supportive methods**

The weak points and reasons for the failure of a great many projects are indicative of the various difficulties and methodological errors encountered. These include limited interventions that do not really take the overall context into consideration, individualized ones focussing on the "entrepreneur" and neglecting the social networks of which he/she is a part, insufficient participation of local protagonists in the draughting and inception of companion programmes. In addition, the pace imposed by a programme schedule, with its calendar for action and its demands in terms of delays and measurable results is usually incompatible with the slow, unforeseeable, non-linear rhythm of the innovation process, the promotion or stimulation of which is allegedly the objective.

The effectiveness of programmes for supporting micro-enterprises is in fact questionable on two calls : the priority given to a social objective (the rapid sponging of the under-employment created by free-market policies) and the lack of comprehension of the innovation process itself, and of the methodological implications of this, for action.

It is not because micro-enterprises have demonstrated their ability to adjust, whereas the outcome of supportive experiences is mitigated, that we should jump to the conclusion that any intervention is useless or even dangerous. A number of projects have taken another approach. They have limited the role of outside support to that of catalyst, "which consists of leaving the initiative in the hands of small producers, on the basis of a participatory approach, and encouraging the mobilization of local resources" according to O. Le Brun (9). The idea, then, is to trigger, stimulate and accompany innovative attitudes, the main protagonists of which are the micro-entrepreneurs themselves. Above all, this method requires an excellent understanding of the mechanisms involved in the innovation process ; its application requires people with a variety of skills, who may shoulder certain functions at the right time, while respecting the rhythm of the process.

**Innovation**

It is important to distinguish between invention and innovation. As Rogers and coworkers point out (10), an innovation is an idea, a practice or an object viewed as new by an individual or a group. It matters little whether this impression of novelty is objective or not, as measured by the interval since its first discovery or use. It is the fact that an individual or group perceives something as new that determines behaviour. If the idea seems new to an individual or group, it is an innovation.

The nature of innovation is also composite, and may include material aspects (products, machines), a form of organization, a type of know-how and an institutional framework.

In a supportive perspective, it is the process of innovation, how it is born and spreads, that must be taken into consideration even more than the result (11). This process "is the outcome of an interactive interplay between people who offer and those who use" innovation (12). It is often depicted as linear, with identification of a problem, formulation of questions, seeking out and experimenting of solutions, evaluation and establishment of the means of applying it elsewhere. This picture gives a good idea of the gradualness, and of the existence of a goal, but overlooks the presence of feed-back, looping and interactions between various phases. It does not point up the role of various actors in the

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*(9) Le Brun O. "L'éléphant et les fourmis. L'état et les petites activités marchandes". In : Economie populaire et phénomènes informels au Zaire et en Afrique. Editor : Gauthier de Villers. Brussels : CEDAF-ASDOC, 1992 (Les cahiers du CEDAF-ASDOC, n°3-4), pp. 249-262.*

*(10) Rogers E, Soemaker F. Communication of innovations : a cross-cultural approach. New York : The Free Press, 1971.*

*(11) La genèse et la diffusion de l'innovation : un processus social. L'expérience de San Dionisio au Nicaragua. Communication delivered at the "Innovations et société" workshop. Montpellier : CIRAD-INRA, sept. 1993.*

*(12) Caillon M, Latour B. Comment concevoir les innovations. In : Prospective et santé, 1986 ; (36) : 13-25.*

process, nor the importance of specific rhythms in different protagonists and phases (13).

This process begins at the intersection between a favourable terrain (a particularly dynamic micro-enterprise sector, well organized or producing for a buoyant market, etc.) and an internal or external triggering factor. Spontaneous innovations are not necessarily born of the need to solve a previously identified problem, and sometimes result from the conjunction of a worthwhile opportunity, curiosity and a taste for novelty. Conversely, when the innovation process is induced by outside agents, it must be the fruit of a diagnosis of the situation.

## How to support innovation

*A participatory approach*

*Diagnosing the situation*

Support for the birth and extension of innovation implies "a building process including real individuals, the existing situation and time", as R. Treillon points out. There is the need, then, to ensure the active participation of the people involved, and to start out with a good comprehension of the actual situation and of how it is perceived by the different protagonists. Last, the process must be managed with the understanding that conflicts and transactions between actors lend it a specific dynamic, and with the ability, at each point in time, to play the role most apt to make the situation progress.

It is perhaps unnecessary to emphasize the first two points : the need for a participatory approach and for a diagnosis of the situation are now increasingly acknowledged. However, the methodological recommendations are not sufficiently circulated, and are still rarely applied.

The last point refers to two ideas. First, it is through action that the approach takes shape and the rules are defined, by face-to-face contact between individuals (micro-entrepreneurs, technicians on the project, facilitators, etc.) with different perceptions, rationales and interests (14). Next, outside support must take on a number of functions requiring highly varied skills for varying periods of time and in varying forms, depending on the phase, the stumbling blocks encountered and the dynamic.

*Thinking must accompany action*

What are these functions ? First of all, some thinking must accompany the action, to analyse the situation, clearly define what is at issue, formulate the right questions and the appropriate solutions ; the idea is to stimulate thought and to help it to become structured, and in some cases to provide information to which the other protagonists do not have access. This accompaniment function therefore demands both the qualities of a facilitator and integration in scientific and institutional networks.

*(13) Treillon R. L'innovation technologique dans les pays du Sud. Le cas de l'agro-alimentaire. Paris : ACCT, CTA, KARTHALA, 1992.*
*(14) Gerbouin P. Dynamique locale d'innovation : organisation et démarche des acteurs. L'expérience de San Dionisio au Nicaragua. Communication delivered at the international symposium on "Systems research in agriculture and rural development". Montpellier, 21-25 november 1994.*

*Mediation*

The mediation function, in turn, becomes essential when the individuals involved in this process are obliged to negotiate with their economic and institutional environment. Mediation is useful in sparking contacts, entering negotiations in a position of strength, obtaining support from a barrister, an administration, a public service, a private firm, etc.

*Developing expertise*

Last, expertise is a function that includes both counselling and training for action, and may be helpful in areas as varied as accounting, marketing, technology, financial management, quality control, etc.

A great variety of skills are required for offering support to any innovative initiative, then, since they belong to a number of disciplines and require that people be proficient in facilitation, negotiation and education, and belong to scientific and institutional networks.

At the same time, the ill-timed assuming of these functions may hinder the process to the point of stalling it : advice should not be formulated before collective thinking on the subject is sufficiently ripe, negotiations should not be begun with an institution until the participants are sufficiently prepared to do so, etc.

*Flexibility of support*

These remarks point to the need for great flexibility in outside support. During the process, unexpected specific needs may arise, and it then becomes temporarily necessary to resort to other individuals with the right competence. It is essential for the process to go on at its own pace, which cannot be hastened on the pretext that time is short, a financing organism is in a hurry or the supportive agency is anxious to achieve visible results rapidly.

It is the means afforded by the project, the programme or the outside, supportive agency that must be adjusted to the needs of the process, then, and not the reverse.

*Working methods and rules*

This flexibility does not mean that the outside, supportive team should not have a working method or should function informally. On the contrary, it requires the development of a supportive structure and the definition of rules, so that functions, skills and means may interrelate effectively. Furthermore, this fosters a gradual, mutual learning process for all of the protagonists : rules and procedures come into existence in accordance with the dispositions, capacities, expectations and constraints of everyone involved. Generally accepted authorities, their role and functioning, are thus gradually set up in the course of the different phases.

These remarks point to the need for a comprehensive approach to support for micro-enterprises. The chances of success are slight for a programme which focuses from the start on a specific area, be it technology or financial management, with a predetermined type of intervention such as training or credit.

A path must be found, somewhere in between excessive rigidity, on the pretext that the outside agency provides all of the competent consultants, and excessive confidence, confining on demagogy, in the ability of micro-entrepreneurs to conduct the innovation process all by themselves.

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# MICRO-ENTERPRISES WHAT THEY ARE AND WHAT THEY CAN BE

1994 - N° 211

**The informal sector of the economy, which is now clearly not the opposite of the modern industrial sector, is constantly expanding, both in developing and in industrialized countries. Governments and international organizations view it as a means of regulating the job market and of cushioning the effects of the global economic crisis. One type of informal activity - micro-enterprises, with their generally minimal investments - are a part of this sector which enable families and individuals to "survive" and to adjust to the crisis through their own concrete solutions, and also to express their creativity, frequently with support from their traditional system of social organization and the use of their own skills. It is often women who create these micro-enterprises, which are a way for them to bolster their family budget.**

The authors, whose competences are predominantly in economics and agricultural economics, analyse certain programmes and attempt to situate them within the micro and macroeconomic system. They raise a number of questions such as "is laisser-faire the best policy ?" "should these initiatives be supported ?", "how ?", "what are the risks and advantages ?" Last, they suggest several supportive systems based on their experience at the grass roots level.

*"The daughter of the bootblack". Picture by Doctor Anne-Marie MASSE-RAIMBAULT. Quito (Ecuador)*

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